

18765

CRAVATH, SWAINE & MOORE

WORLDWIDE PLAZA
825 EIGHTH AVENUE
NEW YORK, N. Y. 10019-7475

TELEPHONE: (212) 474-1000
FACSIMILE: (212) 474-3700

33 KING WILLIAM STREET
LONDON EC4R 9DU ENGLAND
TELEPHONE: 071-606-1421
FACSIMILE: 071-660-1150

WRITER'S DIRECT DIAL NUMBER

ALLEN F. MAULSBY
JOHN R. HUPPER
SAMUEL C. BUTLER
BENJAMIN F. CRANE
JOHN F. HUNT
GEORGE J. GILLESPIE, III
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
RICHARD J. HIEGEL
FREDERICK A.O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND

DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
HERBERT L. CAMP
ALLEN FINKELSON
RONALD S. ROLFE
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON
MAX R. SHULMAN
STUART W. GOLD
JOHN W. WHITE
JOHN E. BEERBOWER

EVAN R. CHESLER
PATRICIA GEOGHEGAN
D. COLLIER KIRKHAM
MICHAEL L. SCHLER
DANIEL P. CUNNINGHAM
KRIS F. HEINZELMAN
B. ROBBINS KIESSLING
ROGER D. TURNER
PHILIP A. GELSTON
RORY O. MILLSON
NEIL P. WESTREICH
FRANCIS P. BARRON
RICHARD W. CLARY
WILLIAM P. ROGERS, JR.
JAMES D. COOPER
STEPHEN L. GORDON
ROBERT A. KINDLER
DANIEL L. MOSLEY

GREGORY M. SHAW
PETER S. WILSON
JAMES C. VARDELL, III
ROBERT H. BARON
KEVIN J. GREHAN
W. CLAYTON JOHNSON
STEPHEN S. MADSEN
C. ALLEN PARKER
MARC S. ROSENBERG
WILLIAM B. BRANNAN
LEWIS R. STEINBERG
SUSAN WEBSTER
WILLIAM H. WIDEN
TIMOTHY G. MASSAD
DAVID MERCADO
ROWAN D. WILSON
JOHN T. GAFFNEY

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(212) 474-1114

APR 8

1994

0100177037

April 8, 1994

Union Pacific Railroad Company
Lease Financing Dated as of March 31, 1994

Dear Mr. Strickland:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Union Pacific Railroad Company, for filing and recordation counterparts of the following documents:

- A. Indenture and Security Agreement dated as of March 31, 1994, between NationsBank of South Carolina, National Association, as Owner Trustee, and Harris Trust and Savings Bank, as Indenture Trustee.
- B. Lease and Indenture Supplement No. 1 dated as of April 8, 1994, among NationsBank of South Carolina, National Association, as Owner Trustee/Lessor, Union Pacific Railroad Company, as Lessee, and Harris Trust and Savings Bank, as Indenture Trustee.

The names and addresses of the parties to the aforementioned agreement are as follows:

1. Lessor-Owner Trustee:
NationsBank of South Carolina, National Association
1901 Main Street
Columbia, SC 29201-2434

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OFFICE OF THE
SECRETARY

counterparts of the above

2. Indenture Trustee:
Harris Trust and Savings Bank
311 West Monroe
Chicago, IL 60606
3. Lessee:
Union Pacific Railroad Company
Martin Tower
Eighth and Eaton
Bethlehem, PA 18018

Please file and record the documents referred to in this letter and index them under the names of the Lessor-Owner Trustee, the Indenture Trustee and the Lessee.

The equipment covered by the aforementioned documents is listed on Exhibit A attached hereto. The equipment bears the legend "Ownership subject to a Security Agreement filed with the Interstate Commerce Commission".

There is also enclosed a check of \$36 payable to the Interstate Commerce Commission, representing the fee for recording the Indenture and Security Agreement and the Lease and Indenture Supplement No. 1.

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,


G. Douglas Johnson
as Agent for
Union Pacific Railroad Company

Mr. Sidney L. Strickland, Jr.
Interstate Commerce Commission
Washington, D.C. 20423

Encls.

Q

EXHIBIT A

| <u>No. of Units</u> | <u>Description</u> | <u>Road/Serial Numbers</u> |
|---------------------|---|---|
| 10 | EMD/MP15 multipurpose locomotive | UP1335-1344, both inclusive |
| 15 | EMD/GP15-1 general purpose locomotive | UP1555-1569, both inclusive |
| 55 | EMD/GP38-2 general purpose locomotive | UP1800-1828, both inclusive, UP2074, UP2076, UP2078, UP2084, UP2087-2090, both inclusive, UP2092, UP2094, UP2096, UP2097, UP2099, UP2101, UP2103, UP2108, UP2111-2120, both inclusive |

Interstate Commerce Commission

Washington, D.C. 20423

April 8, 1994

OFFICE OF THE SECRETARY

**G. Douglas Johnson
Agent for Union Pacific RR Co.
Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475**

Dear Mr. Johnson:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on April 8, 1994 at 1:45PM, and assigned
recordation number(s). 18764, 18764-A, 18765, and 18765-A

Sincerely yours,

Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

18765

INTERSTATE COMMERCE COMMISSION

APR 8 1994

OFFICE OF THE REGISTRAR GENERAL

INDENTURE AND SECURITY AGREEMENT

dated as of March 31, 1994

between

NATIONSBANK OF SOUTH CAROLINA, NATIONAL ASSOCIATION
not in its individual capacity
but solely as Owner Trustee

and

HARRIS TRUST AND SAVINGS BANK
as Indenture Trustee

LOCOMOTIVES

THIS INDENTURE AND SECURITY AGREEMENT HAS BEEN
FILED WITH THE INTERSTATE COMMERCE COMMISSION
PURSUANT TO 49 U.S.C. § 11303 AND DEPOSITED
IN THE OFFICE OF THE REGISTRAR GENERAL OF
CANADA PURSUANT TO SECTION 90 OF THE
RAILWAY ACT OF CANADA

[D.JOHNSON-UP/ISA-CV01.WPF/4575/120A]

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Recitals | 1 |
| Granting Clause | 1 |
| ARTICLE I | |
| <u>Definitions</u> | 7 |
| ARTICLE II | |
| <u>Notes Issuable in Series; Note Forms; General Provisions Relating to All Notes</u> | |
| SECTION 2.01. Notes Issuable in Series | 7 |
| SECTION 2.02. Form of Notes | 7 |
| SECTION 2.03. Execution, Authentication and Delivery; Dating of Notes | 16 |
| SECTION 2.04. Registration, Transfer and Exchange of Notes | 16 |
| SECTION 2.05. Mutilated, Destroyed, Lost and Stolen Notes | 17 |
| SECTION 2.06. Persons Deemed Owners | 18 |
| SECTION 2.07. Cancellation | 18 |
| ARTICLE III | |
| <u>Issuance of Additional Notes</u> | 19 |
| ARTICLE IV | |
| <u>Redemption, Purchase and Assumption</u> | |
| SECTION 4.01. Redemption of Interim Notes | 21 |
| SECTION 4.02. Redemption Notice; Effect of Redemption | 22 |
| SECTION 4.03. Purchase Option | 23 |
| SECTION 4.04. Assumption of Notes | 24 |

Page

ARTICLE V

Receipt, Distribution and Application of Funds

| | | |
|---------------|--|----|
| SECTION 5.01. | Distribution of Basic Rent and Certain Other Amounts | 26 |
| SECTION 5.02. | Application of Stipulated Loss Value, Termination Value and Related Payments | 27 |
| SECTION 5.03. | Payments During Continuance of Indenture Event of Default | 27 |
| SECTION 5.04. | Application as Directed by Other Agreements | 28 |
| SECTION 5.05. | Application in Absence of Direction | 28 |
| SECTION 5.06. | Application of Excepted Property . . . | 29 |
| SECTION 5.07. | Applications with Respect to Principal, Premium and Interest . . | 29 |

ARTICLE VI

Events of Default; Remedies

| | | |
|---------------|--|----|
| SECTION 6.01. | Indenture Events of Default | 29 |
| SECTION 6.02. | Rescission and Annulment of Acceleration of Maturity | 33 |
| SECTION 6.03. | Remedies | 33 |
| SECTION 6.04. | Right of Indenture Trustee to File Proofs of Claim | 36 |
| SECTION 6.05. | General Limitations on Duties of Indenture Trustee | 37 |
| SECTION 6.06. | Possession of Notes by Indenture Trustee Unnecessary for Enforcement | 37 |
| SECTION 6.07. | Unconditional Right of Holder To Receive Principal, Premium and Interest | 37 |
| SECTION 6.08. | Remedies Cumulative | 37 |
| SECTION 6.09. | Acceleration Clause | 38 |
| SECTION 6.10. | Purchaser Protected | 38 |

Page

ARTICLE VII

The Indenture Trustee

| | | |
|---------------|--|----|
| SECTION 7.01. | Acceptance of Trusts | 38 |
| SECTION 7.02. | Certain Duties and Responsibilities of Indenture Trustee | 39 |
| SECTION 7.03. | Notice of Defaults; Consents | 40 |
| SECTION 7.04. | Certain Rights of Indenture Trustee | 41 |
| SECTION 7.05. | Limitation on Responsibility of Indenture Trustee | 43 |
| SECTION 7.06. | Possession of Original Executed Lease | 43 |
| SECTION 7.07. | Indenture Trustee May Hold Notes | 43 |
| SECTION 7.08. | Funds May Be Held by Indenture Trustee | 44 |
| SECTION 7.09. | Compensation and Reimbursement of Indenture Trustee | 44 |
| SECTION 7.10. | Corporate Trustee Required; Eligibility | 45 |
| SECTION 7.11. | Resignation and Removal; Appointment of Successor | 45 |
| SECTION 7.12. | Acceptance of Appointment by Successor | 46 |
| SECTION 7.13. | Merger, Conversion, Consolidation or Succession to Business | 47 |
| SECTION 7.14. | Action Upon Release or Termination of Indenture | 47 |

ARTICLE VIII

Supplemental Indentures; Amendments to Other Documents

| | | |
|---------------|---|----|
| SECTION 8.01. | Supplemental Indentures Without Consent of Holders | 48 |
| SECTION 8.02. | Supplemental Indentures with Consent of Holders | 48 |
| SECTION 8.03. | Execution of Supplemental Indentures | 49 |
| SECTION 8.04. | Reference in Notes to Supplemental Indentures | 50 |
| SECTION 8.05. | Amendments, Waivers, etc. of Other Documents | 50 |

Page

ARTICLE IX

Covenants

| | | |
|---------------|---|----|
| SECTION 9.01. | Payment of Principal and Interest . . | 53 |
| SECTION 9.02. | Further Assurances | 53 |
| SECTION 9.03. | Notice to Indenture Trustee of Default | 53 |
| SECTION 9.04. | Payments to Indenture Trustee | 53 |

ARTICLE X

Miscellaneous

| | | |
|----------------|--|----|
| SECTION 10.01. | Indenture and Notes; Nonrecourse Obligations | 54 |
| SECTION 10.02. | Acts of Holders | 54 |
| SECTION 10.03. | Notices, etc., to Indenture Trustee and Owner Trustee | 55 |
| SECTION 10.04. | Notices to Holders | 56 |
| SECTION 10.05. | Severability | 56 |
| SECTION 10.06. | Amendment and Waiver | 57 |
| SECTION 10.07. | Table of Contents; Headings | 57 |
| SECTION 10.08. | Parties in Interest; Limitation on Rights of Others | 57 |
| SECTION 10.09. | Payment on Business Days | 57 |
| SECTION 10.10. | Counterparts | 58 |
| SECTION 10.11. | Governing Law | 58 |

SCHEDULE X--Definitions

INDENTURE AND SECURITY AGREEMENT dated as of March 31, 1994, between NATIONSBANK OF SOUTH CAROLINA, NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee, and HARRIS TRUST AND SAVINGS BANK, an Illinois banking corporation.

Owner Participant and Owner Trustee have entered into the Trust Agreement pursuant to which, among other things, Owner Participant authorizes and directs Owner Trustee to enter into and perform the terms of this Indenture and Owner Trustee will hold the Trust Estate in trust for the benefit of Owner Participant, subject, however, to the provisions of, and to the lien and security interest in, the Indenture Estate granted hereunder.

Subject to the terms and conditions of the Participation Agreement, on the Closing Date Owner Trustee will purchase the Locomotives described in the Bill of Sale. To finance part of the purchase price of the Locomotives, Owner Trustee has duly authorized the creation of a series of Notes to be designated Interim Notes of substantially the tenor herein provided.

All acts and things necessary to make this Indenture a valid and legally binding obligation of Owner Trustee, in accordance with its terms, have been done and performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and other good and valuable consideration the receipt of which is hereby acknowledged and in order to secure the due and punctual payment of the principal of, and Premium, if any, and interest on, all Notes at any time issued and Outstanding under this Indenture and of all other amounts payable to or for the benefit of the Holders and Indenture Trustee hereunder and under the Operative Documents and compliance with all the terms of this Indenture and the Notes, and to secure the performance and observance by Lessee, Owner Participant and Owner Trustee of their respective agreements and conditions applicable to them contained herein or in any other Operative Document (collectively, the "Obligations"), Owner Trustee hereby, for the benefit and security of the Holders, grants, assigns, transfers and pledges unto Indenture Trustee and its successors and assigns, and grants to the same a security interest in and mortgage and charge on, all

of Owner Trustee's estate, right, title and interest in and to the following described property, whether now owned or hereafter acquired (all such property, other than Excepted Property and Excepted Rights, being herein called the "Indenture Estate"):

(1) the Lease, including all amounts of Basic Rent, Supplemental Rent, insurance proceeds and other payments of any kind for or with respect to the Locomotives;

(2) the Locomotives and all additions and alterations thereof, replacements thereof and substitutions therefor;

(3) all right to restitution from any party to any Operative Document (other than the Tax Indemnification Agreement) in respect of any determination of invalidity thereof; all moneys and securities now or hereafter paid to or deposited with Indenture Trustee by or for the account of Owner Trustee pursuant to this Indenture; and all instruments, documents of title, books and records of Owner Trustee concerning the Indenture Estate (other than income, tax and other similar financial records relating to the Commitment of Owner Participant);

(4) all other property and assets of whatever kind, nature or description, real, personal and mixed, and any interest therein, which may be acquired, received or held by Owner Trustee pursuant to any Operative Document (other than the Tax Indemnification Agreement), wherever located and whether or not subject to the lien of this Indenture, or that may be granted, mortgaged, assigned, transferred and pledged to Indenture Trustee hereunder by any Person and accepted by Indenture Trustee; and

(5) all proceeds, rent, issues, profits, products, revenues and other income from or on account of the property, rights and privileges subjected or required to be subjected to the lien of this Indenture.

Notwithstanding the foregoing provisions:

(a) there shall be excluded from the Indenture Estate the following (the "Excepted Property"): (i) any right, title or interest of Owner Trustee, as trustee or in its individual capacity, or Owner Participant to any payment which by the terms of Article XIV of the Participation Agreement or any section of the Tax Indemnification

Agreement or any corresponding payment under Section 3(c) of the Lease shall be payable to Owner Trustee, as trustee or in its individual capacity, or to Owner Participant, as the case may be, (ii) any insurance proceeds payable under insurance maintained by Owner Trustee, as trustee or in its individual capacity, or Owner Participant pursuant to Section 11(d) of the Lease, (iii) any insurance proceeds payable to Owner Trustee, as trustee or in its individual capacity, or to Owner Participant under any public liability insurance maintained by Lessee pursuant to Section 11 of the Lease or by any other Person, (iv) Transaction Costs paid or payable to Owner Trustee, as trustee or in its individual capacity, pursuant to Section 11.01 of the Participation Agreement, (v) any rights of Owner Participant or Owner Trustee, as trustee or in its individual capacity, as the case may be, to demand, collect, sue for, or otherwise receive and enforce payment of the foregoing amounts (except that such rights shall not include the exercise of any rights or remedies under the Lease other than the right to proceed by appropriate court action or actions, either at law or in equity, to enforce or to compromise or waive payment of the foregoing amounts, and neither Owner Participant nor Owner Trustee, as trustee or in its individual capacity, shall seek or obtain any Lien on any of Lessee's property in connection therewith), (vi) any amount payable to Owner Participant by any transferee as the purchase price of Owner Participant's interest in the Trust Estate in compliance with the terms of the Participation Agreement and the Trust Agreement and (vii) the rights of Owner Trustee, as trustee or in its individual capacity, or Owner Participant, as the case may be, to interest on and the proceeds of the foregoing; provided, however, that "Excepted Property" shall not include any of the foregoing rights of, or proceeds or payments payable to, Owner Trustee, as trustee, to the extent that treating such rights, proceeds and payments as "Excepted Property" would result in the Trust Estate or the Indenture Estate suffering any liability, loss, claim or expense or would result in a failure to reimburse the Trust Estate or the Indenture Estate for any liability, loss, claim or expense previously suffered by it;

(b)(i) whether or not an Event of Default under the Lease shall have occurred and be continuing, Owner Trustee and Owner Participant shall at all times retain the right, to the exclusion of Indenture Trustee (A) to Excepted Property and to proceed by appropriate court action or actions in accordance with clause (a)(v) above, (B) to make

the adjustments referred to in Section 3(f) of the Lease and execute any amendment to the Lease providing therefor and (C) to appoint successor Owner Trustees under the Trust Agreement;

(ii) whether or not an Event of Default under the Lease shall have occurred and be continuing, Owner Trustee and Indenture Trustee shall each retain the right (x) to receive from Lessee all notices, certificates, reports, filings, opinions of counsel, copies of documents and information which Lessee is permitted or required to give or furnish to "Lessor" pursuant to the Lease or to Owner Trustee pursuant to any other Operative Document, (y) to cause Lessee to take any action and execute and deliver such documents and assurances as "Lessor" may from time to time reasonably request pursuant to Section 18 of the Lease and (z) to inspect any Locomotive and any related books and records of Lessee pursuant to and in accordance with Section 8 of the Lease;

(iii) so long as no Indenture Default or Indenture Event of Default shall have occurred and be continuing (but subject to the provisions of Section 8.05), Owner Trustee shall retain the right, to the exclusion of Indenture Trustee except as provided in clause (ii) above, to exercise all rights of "Lessor" (but not the rights of "Indenture Trustee") under the Lease (other than the right to receive any funds to be delivered to "Lessor" under the Lease (except Excepted Property));

(c) the leasehold interest granted to Lessee under the Lease shall not be subject to the security interest and mortgage granted by this Indenture, and nothing in this Indenture shall adversely affect the rights of Lessee under the Lease so long as no Event of Default under the Lease has occurred and is continuing; and

(d) as between Owner Trustee and Indenture Trustee, so long as no Indenture Event of Default shall have occurred and be continuing, nothing contained in this Granting Clause shall prevent Owner Trustee, as "Lessor" under the Lease, from seeking specific performance of the covenants of Lessee under the Lease relating to the protection, insurance, maintenance, possession and use of the Locomotives and from maintaining separate insurance with respect to the Locomotives to the extent permitted by Section 11(d) of the Lease (the rights retained by Owner

Trustee and Owner Participant under paragraphs (b), (c) and (d) being herein called the "Excepted Rights").

TO HAVE AND TO HOLD the Indenture Estate unto Indenture Trustee and its successors and assigns in trust for the benefit and security of the Holders from time to time of all Notes issued and Outstanding and for the uses and purposes and subject to the terms and provisions set forth in this Indenture.

It is expressly agreed that, anything herein contained to the contrary notwithstanding, but subject to Section 10.01, Owner Trustee shall remain liable under each of the Operative Documents to perform all its obligations thereunder, all in accordance with and pursuant to the terms and provisions thereof, and Indenture Trustee and the Holders shall have no obligation or liability under any of the Operative Documents by reason of or arising out of this Indenture, nor shall Indenture Trustee be required or obligated in any manner to perform or fulfill any obligations of Owner Trustee under or pursuant to any of the Operative Documents or, except as herein expressly provided, to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim or to take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Except with respect to Excepted Property and Excepted Rights, Owner Trustee does hereby constitute Indenture Trustee the true and lawful attorney of Owner Trustee, irrevocably, with full power (in the name of Owner Trustee or otherwise) (a) to ask, require, demand, receive or, subject to Section 8.05, give acquittance for any and all moneys and claims for moneys due and to become due under or arising out of any of the Indenture Estate, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which Indenture Trustee may deem to be necessary or advisable in the premises and (b) during the continuance of any Indenture Event of Default, to sue for, compound and give acquittance for, and to settle, adjust or compromise any claim for, any and all rents, income and other sums which are part of the Indenture Estate as fully as Owner Trustee could itself do. Owner Trustee agrees that promptly on receipt thereof it will transfer to Indenture Trustee any and all moneys from time to time received by it constituting part of the Indenture Estate,

except that Owner Trustee shall accept for distribution pursuant to the Trust Agreement any amounts distributed to it by Indenture Trustee as expressly provided in this Indenture and any Excepted Property; provided, however, that nothing herein shall require Owner Trustee to return to Indenture Trustee any payment previously made to Owner Trustee by Indenture Trustee pursuant to the provisions of this Indenture, absent manifest error, except to the extent that the recipient was not entitled to receive the same.

Owner Trustee does hereby warrant and represent that, except as otherwise contemplated by this Indenture, it has not conveyed, transferred, assigned or pledged, and hereby covenants that it will not convey, transfer, assign or pledge, so long as this Indenture shall remain in effect, any of its right, title or interest hereby assigned or pledged to anyone other than Indenture Trustee, and that it will not, except as provided in this Indenture, enter into any agreement amending, supplementing or modifying any of the Operative Documents, execute any consent or waiver thereunder, accept any payment (other than a payment constituting Excepted Property) from Lessee, settle or compromise any claim (other than a claim with respect to Excepted Property) against Lessee arising under any of the Operative Documents, or submit or consent to the submission of any matters arising thereunder or in respect thereof to arbitration, except in accordance with the express provisions of the Lease.

Owner Trustee does hereby ratify and confirm and does hereby agree that it will not, except as provided in this Indenture, take or omit to take any action, the taking or omission of which might result in an alteration or impairment of the Lease or this Indenture.

When and if all payments to Indenture Trustee and the Holders due or to become due hereunder and under the other Operative Documents shall have been made, or sufficient moneys are held by Indenture Trustee for such purpose, all other obligations in favor of Indenture Trustee and the Holders under all Operative Documents shall have been performed in full and all other payments to be made hereunder shall have been made, this Indenture and the lien herein granted shall cease, determine and be void and, at the request of Owner Trustee, Indenture Trustee shall promptly execute and deliver such documents, assignments and releases as shall be requisite to satisfy the lien hereof

and to retransfer to Owner Trustee or as it may direct, any property at the time subject to the lien of this Indenture.

IT IS HEREBY COVENANTED AND AGREED as follows:

ARTICLE I

Definitions

Except as otherwise expressly provided, all capitalized terms used in this Indenture shall have the meanings set forth in Schedule X hereto and the rules of interpretation set forth in Schedule X hereto shall apply to this Indenture.

ARTICLE II

Notes Issuable in Series; Note Forms; General Provisions Relating to All Notes

SECTION 2.01. Notes Issuable in Series. The Notes issuable hereunder shall be one series of Interim Notes, designated "Interim Series Notes", and such additional series of Notes as may be issued as Additional Notes pursuant to Article III. Each Note shall bear upon the face thereof the designation so selected for the series to which it belongs. All Notes of any one series at any time Outstanding shall be identical except in respect of principal amount. The terms and provisions of any series of Notes other than the Interim Notes shall be set forth in a supplemental indenture (and, where appropriate, in the Notes issued thereunder) which may also contain such provisions not inconsistent with this Indenture as Owner Trustee, with the consent of Lessee, may in its discretion cause to be inserted therein. Each Note issued and authenticated hereunder (regardless of series) shall rank pari passu in security and right of payment with all other Notes issued and authenticated hereunder. The Interim Notes shall be issued in denominations of not less than \$100,000.

SECTION 2.02. Form of Notes. The initial series of Notes (the "Interim Notes") shall be substantially in the form set forth below. The Notes of other series shall be substantially in the form set forth below, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or

otherwise necessary or as may, consistently herewith, be authorized by Owner Trustee, as evidenced by its execution thereof. The Certificate of Authentication to be endorsed on all Notes shall be substantially in the form set forth below.

INTERIM SERIES NOTE

No. _____
\$ _____

New York, New York
, 199

NATIONSBANK OF SOUTH CAROLINA, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee (in such capacity, "Owner Trustee") under that certain Trust Agreement dated as of March 31, 1994 (herein called the "Trust Agreement"), between Owner Trustee and the institution referred to therein as "Owner Participant", hereby promises to pay to _____, or registered assigns, the principal sum of \$ _____, in lawful currency of the United States of America, in installments payable on the dates set forth in Exhibit A hereto, commencing January 1, 1998 and thereafter to and including January 1, 2004, each such installment to be in an amount equal to the corresponding percentage (if any) of the original principal amount hereof set forth in Exhibit A hereto, as such Exhibit may be amended pursuant to Section 2.01 of the Participation Agreement, together with interest thereon on the amount of the principal amount hereof remaining unpaid from time to time, compounded as of each Fixture Date that is not an Interest Payment Date at the rate of interest per annum to become applicable on such Fixture Date, from and including the date hereof (or the last date to which interest on the Interim Notes has been paid) to the date on which the principal amount hereof has been paid in full, payable on January 1, 1995, and on each January 1 and July 1 thereafter (each an "Interest Payment Date"), at the applicable rate of interest set forth below. Interest on any overdue principal, Premium and, to the extent permitted by applicable law, interest, shall be paid from the due date thereof at the rate of 3.5% per annum in excess of the interest rate then applicable hereto (computed on the basis of a 360-day year of twelve 30-day months), payable on demand.

Unless and until the interest rate applicable to this Interim Note is fixed at a rate or rates determined pursuant to Section 2.01 of the Participation Agreement

[D. JOHNSON-UP/ISA-407.WPF/4575/120A]

(from and after which interest hereon will be computed on the basis of a 360-day year of twelve 30-day months), this Interim Note will bear interest at the rate of 4.05% per annum until May 9, 1994, and thereafter at the rate of LIBOR plus 0.30% per annum until September 29, 1994, LIBOR plus 0.75% per annum from September 30, 1994 until December 30, 1994, LIBOR plus 1.75% per annum from December 31, 1994 to March 30, 1995, and LIBOR plus 2.50% per annum thereafter (in each case computed on the basis of a 360-day year and the actual number of days elapsed). For purposes hereof:

"Fixture Date" means May 9, 1994, each Interest Payment Date and each other date set forth as such in an Owner Trustee Notice.

"Owner Trustee Notice" means a written notice, delivered to Interim Loan Participant and Indenture Trustee at least three London Banking Days preceding a Fixture Date, designating the next Fixture Date, which shall in no event be after the immediately succeeding Interest Payment Date.

"LIBOR" means the rate (expressed as an interest rate per annum) for deposits in U.S. dollars for the period described in the applicable Owner Trustee Notice that appears as of 11:00 a.m. (London time) on the display designated as "Page 3750" on the Dow Jones Telerate Service (or such other page as may replace page 3750 on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. dollar deposits) ("Telerate Page 3750") on the second London Banking Day preceding the first day of an Interest Period. If such rate does not appear on Telerate Page 3750 on such date, Indenture Trustee will select the principal London offices of four leading banks in London ("Reference Banks") to provide their offered quotations (expressed as an interest rate per annum) to prime banks in the London interbank market as of approximately 11:00 a.m. (London time) on the second London Banking Day preceding the first day of such Interest Period for deposits in U.S. dollars for the period described in the applicable Owner Trustee Notice commencing on the first day of such Interest Period in a principal amount that is representative for a single transaction in such market at such time. If at least two of the Reference Banks provide Indenture Trustee with such quotation, LIBOR for such Interest Period will be the arithmetic mean of such quotations. If fewer than two quotations are provided as

requested, LIBOR in respect of such Interest Period will be the arithmetic mean of the rates quoted by three major banks in New York City, selected by Indenture Trustee as of approximately 11:00 a.m. (New York City time) on the first day of such Interest Period, for loans of the period described in the applicable Owner Trustee Notice in U.S. dollars to leading European banks in the London interbank market in an amount that is representative for a single transaction in such market at such time. If at least two of such banks provide Indenture Trustee with such quotation, LIBOR for such Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are provided as requested, LIBOR in respect of such Interest Period will be the Cost of Funds on the first day of such Interest Period. If the rate for deposits in U.S. dollars for a three-month period that initially appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of an Interest Period is superseded on such Telerate Page by a corrected rate before 12:00 noon (London time) on the second London Banking Day preceding the first day of an Interest Period, such corrected rate as so substituted shall be the applicable LIBOR.

If an Owner Trustee Notice has not been received by Interim Loan Participant and Indenture Trustee on the third London Banking Day preceding a Fixture Date, the next applicable Fixture Date shall be deemed to be the next succeeding Interest Payment Date, and LIBOR for the period from such Fixture Date to such next succeeding Interest Payment Date shall be the Cost of Funds on such Fixture Date.

"London Banking Day" means a day on which dealings in U.S. dollars are transacted in the London interbank market.

"Interest Period" means the period commencing on and including April 8, 1994 to but excluding the next succeeding Fixture Date, and thereafter each subsequent period commencing on and including a Fixture Date to but excluding the next succeeding Fixture Date; except that whenever the first day of any Interest Period would otherwise occur on a day other than a London Banking Day, the first day of such Interest Period shall be the next succeeding London Banking Day and the previous Interest Period shall be extended (unless such next succeeding London Banking Day is in the following calendar month, in which

case the first day of such Interest Period shall occur on the immediately preceding London Banking Day).

"Cost of Funds" means the offered rate quoted to Interim Loan Participant by leading banks in the New York City market for deposit in an amount approximately equal to the Outstanding principal amount of the Interim Notes.

All payments of principal and interest and Premium, if any, to be made hereunder and under the Indenture and Security Agreement dated as of March 31, 1994 (as amended or supplemented from time to time, the "Indenture", defined terms therein being used herein with the same meanings), between Owner Trustee and Harris Trust and Savings Bank, as Indenture Trustee ("Indenture Trustee") thereunder for the holder of this Interim Note and the holders of other Notes outstanding thereunder, shall be made only from the income and proceeds from the Indenture Estate and only to the extent that Indenture Trustee shall have sufficient income or proceeds from the Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. Each holder hereof, by its acceptance of this Interim Note, agrees that it will look solely to the income and proceeds from the Indenture Estate to the extent available for distribution to the holder hereof as provided in the Indenture and that none of Owner Trustee in its individual capacity, Owner Participant or Indenture Trustee is personally liable to the holder hereof for any amount payable under this Interim Note or the Indenture or, except as provided in Section 10.01 of the Indenture, for any liability under the Participation Agreement or the Indenture.

Payments with respect to the principal amount hereof and Premium, if any, and interest thereon shall be payable in U.S. dollars in immediately available funds at the principal office of Indenture Trustee, or as otherwise provided in the Indenture. Each such payment shall be made on the date such payment is due and, except for the last payment of principal hereof, without any presentment or surrender of this Interim Note. Whenever the date scheduled for any payment to be made hereunder or under the Indenture shall not be a Business Day, then such payment need not be made on such scheduled date but may be made on the next Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such next Business Day) no interest shall accrue on the

amount of such payment from and after such scheduled date to such next Business Day.

Each holder hereof, by its acceptance of this Interim Note, agrees that each payment received by it hereunder shall be applied first to the payment of interest, second to the payment of principal then due and third to the payment of any Premium then due.

This Interim Note is one of the Notes referred to in the Indenture. The Notes may be issued in more than one series without limitation as to principal amount. The Indenture Estate is held by Indenture Trustee as security for the Notes. Reference is hereby made to the Indenture for a statement of the rights of the holder of, and the nature and extent of the security for, this Interim Note, as well as for a statement of the terms and conditions of the trusts created by the Indenture, to all of which terms and conditions in the Indenture each holder hereof agrees by its acceptance of this Interim Note.

Under certain circumstances, all or part of the obligations of Owner Trustee hereunder and under the Indenture may be assumed by Lessee. In the case of a partial assumption, the obligations of Lessee shall be separately secured by a portion of the security formerly securing the obligations of Owner Trustee.

This Interim Note is subject to redemption, in some cases with Premium, as provided in the Indenture and is subject to purchase by Owner Trustee without Premium as provided in the Indenture. The holder hereof, by its acceptance of this Interim Note, agrees to deliver this Interim Note to Indenture Trustee as provided in the Indenture in the case of such purchase.

If an Indenture Event of Default shall occur and be continuing, the principal of the Notes may become or be declared due and payable in the manner and with the effect set forth in the Indenture.

Transfer of this Interim Note is registrable as provided in the Indenture upon surrender hereof for registration of transfer duly endorsed by, or accompanied by a written statement of transfer duly executed by, the registered holder hereof or his attorney duly authorized in writing. Prior to due presentment for registration of transfer of this Interim Note, Owner Trustee and Indenture

Trustee may deem and treat the registered holder hereof as the absolute owner and holder hereof for the purpose of receiving payment of all amounts payable with respect hereto and for all other purposes and shall not be affected by any notice to the contrary.

This Interim Note has not been registered under the Securities Act of 1933 and may not be transferred in violation of such Act. This Interim Note shall be governed by and construed in accordance with the laws of the State of New York.

Unless the certificate of authentication hereon has been executed by or on behalf of Indenture Trustee by manual signature, this Interim Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, Owner Trustee has caused this Interim Note to be executed by one of its authorized officers as of the date hereof.

NATIONSBANK OF SOUTH CAROLINA,
NATIONAL ASSOCIATION
not in its individual
capacity but solely as
Owner Trustee,

by

Title:

This is one of the Notes, of the series designated herein, referred to in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK,
as Indenture Trustee,

by

Title:

EXHIBIT A
TO INTERIM SERIES NOTE

SCHEDULE OF PRINCIPAL PAYMENTS

Principal To Be Paid
(Expressed as a Percentage of
Original Principal Amount)

| <u>Date</u> | <u>Principal</u> |
|-------------|---------------------|
| 1-Jan-98 | 6.268247982% |
| 1-Jul-98 | 0.000000000 |
| 1-Jan-99 | 7.825714363 |
| 1-Jul-99 | 0.000000000 |
| 1-Jan-00 | 23.972722633 |
| 1-Jul-00 | 0.000000000 |
| 1-Jan-01 | 13.852653004 |
| 1-Jul-01 | 0.000000000 |
| 1-Jan-02 | 14.887290987 |
| 1-Jul-02 | 0.000000000 |
| 1-Jan-03 | 15.999204837 |
| 1-Jul-03 | 0.000000000 |
| 1-Jan-04 | <u>17.194166194</u> |
| | 100.000000000% |

SECTION 2.03. Execution, Authentication and Delivery; Dating of Notes. Upon execution and delivery of this Indenture, or from time to time thereafter, Notes may be executed by Owner Trustee and delivered to Indenture Trustee for authentication accompanied by an Owner Trustee Request, and Indenture Trustee shall thereupon authenticate and deliver such Notes in accordance with instructions contained in such Owner Trustee Request. Each Note shall be dated the date of its authentication. No Note shall be secured by or entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication, in the form provided for herein, executed by Indenture Trustee by manual signature.

SECTION 2.04. Registration, Transfer and Exchange of Notes. Indenture Trustee shall keep a register for the registration of Notes (the "Note Register"). Registration of transfer of Notes may be effected only as set forth in this Section 2.04. Indenture Trustee shall act as the agent of Owner Trustee with respect to the Note Register. Upon surrender for registration of transfer of any Note to Indenture Trustee and satisfaction of the other requirements of this Section 2.04, Owner Trustee shall execute, and Indenture Trustee shall (i) authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of the same series of any authorized denomination and of a like aggregate principal amount as the surrendered Note and (ii) register such transfer on the Note Register. At the option of the Holder, Notes may be exchanged for other Notes of the same series, of any authorized denomination and of like aggregate principal amounts upon surrender to Indenture Trustee of the Notes to be exchanged. Whenever any Notes are so surrendered for exchange, Owner Trustee shall execute, and Indenture Trustee shall authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to Indenture Trustee and Owner Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing. No service charge shall be made for any transfer or exchange of Notes, but Indenture Trustee may require payment from the Holder of a sum sufficient to cover any tax or other governmental charge

that may be imposed in connection with any such transfer or exchange.

Presentment, protest and notice of nonpayment are hereby waived by Owner Trustee to the fullest extent permitted by Applicable Law.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligation of Owner Trustee, evidencing the same obligations, and entitled to the same security and benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange. The Note Register shall be maintained and the transfer of Notes effected in compliance with the requirements for registration-required obligations contained in Section 163(f) of the Code and this Section 2.04 shall be interpreted and applied consistently therewith.

SECTION 2.05. Mutilated, Destroyed, Lost and Stolen Notes. If (a) any mutilated Note is surrendered to Indenture Trustee, or if evidence, satisfactory to Indenture Trustee and Owner Trustee, of the destruction, loss or theft of any Note is presented to Indenture Trustee and Owner Trustee and (b) there is delivered to Indenture Trustee and Owner Trustee such security or indemnity as may be reasonably required by either of them to save each of them harmless, then, in the absence of notice to Indenture Trustee or Owner Trustee that such Note has been acquired by a bona fide purchaser, Owner Trustee shall execute and Indenture Trustee shall authenticate and deliver, in exchange for any such mutilated Note, or in lieu of any such destroyed, lost or stolen Note, a new Note of the same series and of like tenor and principal amount, and Indenture Trustee shall cancel and dispose of any surrendered Note which was mutilated or destroyed in a manner deemed appropriate by Indenture Trustee. If any Loan Participant is the owner of any such lost, stolen or destroyed Note, then the affidavit of such owner, setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction, shall be accepted as satisfactory evidence thereof and no further indemnity shall be required as a condition to the execution and delivery of a new Note other than the written agreement, in form and substance reasonably acceptable to Owner Trustee and Indenture Trustee, of such owner to indemnify and hold harmless Owner Trustee and Indenture Trustee (in their individual capacities and as trustees) against any claims

and liabilities resulting from the issuance of a replacement Note.

Upon the issuance of any new Note under this Section 2.05, Indenture Trustee or Owner Trustee may require the payment from the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Every new Note issued pursuant to this Section 2.05 in lieu of any destroyed, lost or stolen Note shall constitute an original contractual obligation hereunder, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and each such new Note shall be entitled to all the security and benefits of the Note so destroyed, lost or stolen. The provisions of this Section 2.05 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement of mutilated, destroyed, lost or stolen Notes.

SECTION 2.06. Persons Deemed Owners. Prior to due presentment for registration of transfer, Owner Trustee and Indenture Trustee may treat the Person in whose name any Note is registered as the owner thereof for the purpose of receiving payment of principal of, and Premium, if any, and interest on, such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither Owner Trustee nor Indenture Trustee shall be affected by notice to the contrary.

SECTION 2.07. Cancellation. All Notes surrendered for payment, redemption, transfer or exchange shall, if surrendered to Owner Trustee or any agent of Owner Trustee or of Indenture Trustee, be delivered to Indenture Trustee and promptly canceled by it, or, if surrendered to Indenture Trustee, shall be promptly canceled by it, and no Notes shall be issued in lieu thereof except as permitted by the provisions of this Indenture. Indenture Trustee shall dispose of canceled Notes in the manner it deems appropriate and shall provide evidence to Owner Trustee of each such cancellation. If Owner Trustee shall acquire any of the Notes, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to Indenture Trustee for cancellation.

ARTICLE III

Issuance of Additional Notes

(a) Issuance. Upon compliance with this Article III, additional notes of any one or more series (herein called "Additional Notes") may from time to time, provided that the Interim Notes shall be paid in full prior to or concurrently with the issuance of any such Additional Notes, be executed by Owner Trustee and delivered to Indenture Trustee for authentication, accompanied by an Owner Trustee Request, pursuant to Section 2.01 or Article III of the Participation Agreement, and Indenture Trustee shall thereupon execute and deliver the supplemental indenture referred to below and authenticate and deliver such Additional Notes in the manner set forth in Section 2.03 and in accordance with such Owner Trustee Request.

(b) Requirements. Each series of Additional Notes shall be designated by letter (commencing with Series A), shall be created by a supplemental indenture and:

(i) shall not mature later than January 1, 2005; shall bear interest at such rate or rates (including a floating rate or rates) and be payable, as to principal, Premium, if any, and interest, at such time or times, as may be determined by Owner Trustee with the prior written consent of Lessee and expressed in such Notes; and may be payable in U.S. dollars or in another currency;

(ii) may contain such provisions for the redemption thereof, at the option of Owner Trustee, at such redemption price or prices, at such time or times, upon such notice, in such manner and upon such other terms and conditions, not inconsistent with the provisions of this Indenture, as may be determined by Owner Trustee with the prior written consent of Lessee and expressed or referred to in such Notes; and

(iii) may contain such provisions, if any, for the required redemption of such Notes (including for a purchase, sinking, amortization, improvement or analogous fund) in such amounts, at such time or times, in such manner and upon such other terms and conditions as may be determined by Owner Trustee with the prior written consent of Lessee and expressed or referred to in such Notes.

(c) Conditions. Each series of Additional Notes may be issued only if, prior to or concurrently with the issuance thereof, all conditions precedent for the refinancing of Notes set forth in Article III of the Participation Agreement (and Section 2.01 thereof, if applicable) have been complied with and there shall have been deposited with Indenture Trustee the following:

(i) the supplemental indenture referred to above;

(ii) an Officer's Certificate of Owner Trustee authorizing the execution and delivery of the supplemental indenture referred to in clause (i) above and a written consent of Lessee thereto;

(iii) an Opinion of Counsel, in form and substance reasonably satisfactory to Indenture Trustee, dated the date of issuance of such Additional Notes, to the effect that:

(A) such supplemental indenture has been duly authorized, executed and delivered by Owner Trustee and is a valid and binding obligation of Owner Trustee, enforceable against Owner Trustee in accordance with its terms, subject to customary exceptions;

(B) such Additional Notes have been duly authorized, executed and delivered by Owner Trustee and, upon the authentication and delivery thereof by Indenture Trustee, will be valid and binding obligations of Owner Trustee, entitled to the benefits of this Indenture and enforceable in accordance with their terms, subject to customary exceptions;

(C) all authorizations, consents, approvals and exemptions of, or other action by, all regulatory bodies necessary in connection with the issue, sale, authentication and delivery of such supplemental indenture and such Additional Notes have been obtained (specifying the same), or that no such authorization, consent, approval, exemption or other action is required;

(D) all recording, filing and similar action required in connection with the execution and delivery of such supplemental indenture and the

issuance of such Additional Notes has been accomplished (specifying the same) or that no such recording, filing or similar action is required; and

(E) all conditions precedent provided for in this Indenture and the Participation Agreement to the issuance of such Additional Notes have been complied with; and

(iv) funds sufficient to pay in full any Notes Outstanding at such time.

ARTICLE IV

Redemption, Purchase and Assumption

SECTION 4.01. Redemption of Interim Notes. The Interim Notes shall, in the manner specified and subject to the provisions set forth in this Article IV, be redeemable as follows:

(a) Redemption upon the Occurrence of an Event of Loss. The Interim Notes shall be redeemed in part following the occurrence of an Event of Loss with respect to a Locomotive for which a replacement is not delivered pursuant to the terms of the Lease, on the date payment is required pursuant to Section 12(b) of the Lease, in a principal amount (after taking into account any payment of principal being made on such date from Basic Rent then due in respect of such Locomotive) equal to the remaining installments of principal to be paid multiplied by Lessor's Cost of such Locomotive and divided by Lessor's Cost of all Locomotives subject to the Lease immediately before such Event of Loss, together with accrued and unpaid interest thereon to the Redemption Date but without payment of Premium.

(b) Redemption upon the Occurrence of an Event of Default. The Interim Notes may be redeemed in whole but not in part upon Owner Trustee Request if an Event of Default under the Lease shall have occurred and be continuing for 200 days without acceleration of the Notes by Indenture Trustee, or at any time after acceleration of the Notes by Indenture Trustee for any reason, on the date specified in such Owner Trustee

Request, in an amount equal to the unpaid principal amount of the Interim Notes together with accrued and unpaid interest thereon to the Redemption Date but without payment of Premium.

(c) Redemption in the Event of Refinancing. The Interim Notes shall be redeemed in whole but not in part if a refinancing of the Interim Notes occurs, on the date of availability of the proceeds of such refinancing, at the principal amount thereof together with accrued and unpaid interest thereon to the Redemption Date plus, if such redemption occurs after the interest rate applicable to the Interim Notes is fixed at a rate or rates determined pursuant to Section 2.01 of the Participation Agreement and on or before the Average Life Date, the Premium computed as of the Redemption Date.

(d) Redemption in Event of Lease Termination. The Interim Notes of the appropriate series shall be redeemed in whole or in part if a termination of the Lease with respect to a Locomotive occurs pursuant to Section 4(c) or 13 of the Lease, on the date payment is required pursuant to Section 4(c) or 13 of the Lease, in a principal amount (after taking into account any payment of principal being made on such date from Basic Rent then due in respect of such Locomotive) equal to the remaining installments of principal to be paid multiplied by Lessor's Cost of such Locomotive and divided by Lessor's Cost of all Locomotives subject to the Lease immediately before such termination, together with accrued and unpaid interest thereon to the Redemption Date plus, if such redemption occurs after the interest rate applicable to the Interim Notes is fixed at a rate or rates determined pursuant to Section 2.01 of the Participation Agreement and on or before the Average Life Date, the Premium computed as of the Redemption Date. Owner Trustee will comply with Section 13(c) of the Lease if applicable.

SECTION 4.02. Redemption Notice; Effect of Redemption. (a) Notice. Lessee shall, in accordance with the Lease, provide not less than 35 days prior written notice to Owner Trustee and Indenture Trustee of any proposed redemption of Notes (other than pursuant to a right of Owner Trustee to redeem Notes after an Event of Default or acceleration of Notes). Notice of redemption shall be given by Indenture Trustee not less than 30 nor more than 60

days prior to the relevant Redemption Date to each Holder. Each such notice of redemption shall, based on information supplied to Indenture Trustee in the applicable Owner Trustee Request, specify the Redemption Date, the principal amount of the Notes to be redeemed and any other amounts to be distributed to such Holder upon such redemption (including accrued interest and Premium, if any) and shall state that payment of all such amounts will be made on the Redemption Date and that on and after the Redemption Date interest on the Notes to be redeemed will cease to accrue.

(b) Effect. If notice of redemption shall have been given as above provided, the principal of the Notes to be redeemed specified in such notice shall become due and payable on the Redemption Date and, from and after the Redemption Date, interest on such principal amount shall cease to accrue and such principal amount shall no longer be deemed to be Outstanding and shall cease to be entitled to the benefit of this Indenture, except that the Holders thereof shall be entitled to receive payment from moneys held by Indenture Trustee for such redemption. Indenture Trustee shall hold all such moneys in trust for the Holders thereof but shall have no responsibility to invest such moneys other than in accordance with the written instructions of the Person so depositing such moneys. If the principal amount of or Premium, if any, or interest on any Note called for redemption shall not be so paid on the Redemption Date, such principal amount and Premium, if any, and (to the extent permitted by Applicable Law) interest shall, until paid, bear interest from the Redemption Date at the Overdue Rate.

(c) Allocation. If less than all the Notes of any series are redeemed, (i) the redemption shall be allocated pro rata among all such Notes in such manner as Indenture Trustee shall deem fair and appropriate and (ii) the principal amount of any Note redeemed shall be applied to reduce pro rata the remaining installments of principal of such Note.

SECTION 4.03. Purchase Option. At any time after (a) an Indenture Event of Default shall have occurred and be continuing and the principal of all Notes shall have become immediately due and payable or (b) an Event of Default shall have occurred and be continuing for a period of at least 200 days, Owner Trustee may purchase all the Notes then Outstanding by payment to Indenture Trustee of an amount equal to the aggregate unpaid principal amount thereof,

together with accrued and unpaid interest thereon to such purchase date (but without any Premium), plus all other sums then due and payable hereunder and under the Lease and the Participation Agreement and, upon receipt thereof by Indenture Trustee, each Holder shall promptly deliver its Notes to Indenture Trustee duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to Indenture Trustee and Owner Trustee duly executed by, such Holder. Owner Trustee shall give each Holder at least 15 days' written notice of such purchase of the Notes. Owner Trustee shall make payment under this Section by wire transfer in immediately available funds to Indenture Trustee.

SECTION 4.04. Assumption of Notes.

(a) Assumption. If Lessee shall irrevocably elect, in connection with the exercise of a purchase option under Section 4(c)(iii)(C) of the Lease or in connection with the transfer of all Owner Participants' interest in the Trust Estate and Operative Documents to Lessee pursuant to Section 9.01 of the Participation Agreement, by written notice to Owner Trustee and Indenture Trustee not later than 60 days prior to the relevant Redemption Date, to assume all or that portion of the Notes Outstanding which relates to the purchased Locomotives, then, in lieu of redemption of the Notes and upon satisfaction of the terms and conditions set forth in Section 4.04(b), the obligations and liabilities of Owner Trustee hereunder and under the Notes (except for any personal liability attributable to Owner Trustee) shall, as set forth in Section 4.04(b), be assumed in whole or in part by Lessee and Owner Trustee shall be released and discharged without further act from such obligations and liabilities (an "Assumption Event") and Indenture Trustee shall execute and deliver a supplemental indenture evidencing the foregoing.

(b) Conditions. Any assumption pursuant to Section 4.01(a) shall be subject to compliance to the satisfaction of Indenture Trustee and the Holders with the following conditions:

(i) Owner Trustee and Indenture Trustee shall have executed and delivered a supplemental indenture releasing from the lien of this Indenture the Locomotives (and all other property included in the Indenture Estate to the extent relating to such Locomotives) in respect of which the Assumption Event shall have occurred;

(ii) Lessee shall have complied with all the requirements of Section 4(c) of the Lease with respect to such Assumption Event and shall have executed and delivered instruments evidencing the obligations assumed by Lessee to Indenture Trustee and the Holders and granting a first priority security interest in the Locomotives in respect of which the Assumption Event has occurred on substantially the same terms provided for in this Indenture (together with such instruments and actions as may be reasonably necessary to perfect such security interest);

(iii) the supplemental indenture referred to in clause (i) above and the instruments referred to in clause (ii) above shall be independent of the obligations contained in this Indenture and shall not provide any cross collateralization with the Indenture Estate or cross default to the obligations of Owner Trustee hereunder; and

(iv) Lessee shall have delivered to Indenture Trustee an Opinion of Counsel in form and substance satisfactory to Indenture Trustee to the effect that:

(A) each instrument executed and delivered by Lessee pursuant to clause (ii) above constitutes a valid and binding obligation of Lessee, enforceable in accordance with its terms, subject to customary exceptions, and creates a legal, valid and perfected lien on and security interest in the Locomotives in respect of which the Assumption Event has occurred;

(B) after such assumption, such Locomotives will be free and clear of all Liens other than Permitted Encumbrances;

(C) all authorizations, consents, approvals and exemptions of, or other action by, all regulatory bodies necessary in connection with the execution and delivery of such instruments and conveyance and transfer of title to such Locomotives by Owner Trustee and the granting by Lessee of a security interest in such Locomotives have been obtained (specifying the same) or that no such authorization, consent, approval, exemption or other action is required;

(D) such instruments have been properly recorded, registered and filed and such other actions have been taken as are required by law to perfect, preserve and protect the security interest granted in such Locomotives and reciting the details of such action or stating that, in the opinion of such counsel, no such action is necessary to perfect, preserve and protect such lien; and

(E) with respect to such Assumption Event, Lessee has duly complied with all its obligations hereunder and under the Lease and all other conditions hereunder and under the Lease have been satisfied.

(c) Notice; Legend. Notice of any Assumption Event and of the extent thereof shall be given to the Holders at the expense of Lessee as promptly as practicable after the occurrence thereof. All Notes issued after the occurrence of an Assumption Event with respect to fewer than all Locomotives included in the Indenture Estate shall bear the following legend: "Of the principal amount of this Note, \$ is no longer an obligation of Owner Trustee but rather is an obligation of Union Pacific Railroad Company separately secured by a portion of the security formerly securing the obligations of Owner Trustee."

ARTICLE V

Receipt, Distribution and Application of Funds

SECTION 5.01. Distribution of Basic Rent and Certain Other Amounts. Except as otherwise provided in Section 5.03, each installment of Interim Rent and Basic Rent (and each payment of interest on any installment of Interim Rent or Basic Rent which is not paid when due) received by Indenture Trustee in respect of any Payment Date shall be distributed by Indenture Trustee on the date payment thereof is due (or as soon thereafter as such payment shall be received by Indenture Trustee) in the following order of priority:

(a) to the payment of principal of and interest on the Notes (including any interest on overdue principal and, to the extent legally enforceable, on overdue

interest on the Notes) payable on such Payment Date;
and

(b) the balance, if any, of such payment shall be distributed to Owner Trustee.

SECTION 5.02. Application of Stipulated Loss Value, Termination Value and Related Payments. Except as otherwise provided in Section 5.03, (a) Stipulated Loss Value and other payments received by Indenture Trustee upon the occurrence of an Event of Loss with respect to any Locomotive, (b) proceeds from the sale of any Locomotive and any Termination Value or other payments (including Supplemental Rent in respect of Premium on the Notes) in connection with any termination pursuant to Section 4(c) or 13 of the Lease received by Indenture Trustee and (c) proceeds from any refinancing of Notes pursuant to Article III and any other payments (including Supplemental Rent in respect of Premium on the Notes) in connection therewith received by Indenture Trustee, shall in each case be distributed on the applicable Redemption Date in the following order of priority:

(i) to redeem in full all Outstanding Notes in the case of clause (c) above or, in the case of clause (a) or (b) above, to redeem in part Outstanding Notes in a principal amount determined pursuant to Section 4.01 or pursuant to the supplemental indenture or indentures providing for Additional Notes, in each case together with accrued and unpaid interest thereon to the Redemption Date and Premium, if any;

(ii) in the manner provided in Section 5.03(a);

(iii) in the manner provided in Section 5.03(b); and

(iv) the balance, if any, of such payment shall be distributed to Owner Trustee.

SECTION 5.03. Payments During Continuance of Indenture Event of Default. Except as otherwise provided in Section 5.06, but notwithstanding anything in Section 6.03 to the contrary, for so long as an Indenture Event of Default shall have occurred and be continuing, moneys

received or held by Indenture Trustee shall be distributed by Indenture Trustee in the following order of priority:

(a) to reimburse Indenture Trustee for any unreimbursed fees, expenses, taxes or other costs incurred by Indenture Trustee in connection with its duties as Indenture Trustee and any compensation due and owing to Indenture Trustee;

(b) to reimburse the Holders for payments made by them or their predecessors in interest to Indenture Trustee pursuant to Section 7.04(e) or otherwise (to the extent not previously reimbursed), and to pay to the Holders all other amounts (other than principal and interest on the Notes) payable to them pursuant to the Participation Agreement, the Lease or any other Operative Document, in each case ratably without priority of any one over any other;

(c) to pay in full the aggregate unpaid principal amount of all Notes Outstanding then due (whether by declaration of acceleration or otherwise), plus accrued and unpaid interest thereon (including any interest on overdue principal and, to the extent legally enforceable, on overdue interest) to the date of payment, ratably without priority of any one over any other; and

(d) the balance, if any, shall be distributed to Owner Trustee.

SECTION 5.04. Application as Directed by Other Agreements. Except as otherwise provided in Sections 5.03 and 5.06, any payments received by Indenture Trustee, provision for the application of which is made in the Lease or the Participation Agreement, shall be applied to the purpose for which such payment was made in accordance with the terms of the Lease or the Participation Agreement, as the case may be, provided that Indenture Trustee has been advised that such payments are to be so applied.

SECTION 5.05. Application in Absence of Direction. Except as otherwise provided in Sections 5.03 and 5.06, any payments received by Indenture Trustee for which no provision as to the application thereof is made in the Lease or the Participation Agreement, and any payments received or held by Indenture Trustee under the Lease or the Participation Agreement or otherwise after payment and

performance in full of the Notes, shall be distributed by Indenture Trustee in the following order of priority:

- (i) in the manner provided in Section 5.03(a);
- (ii) in the manner provided in Section 5.03(b);
- (iii) in the manner provided in Section 5.01(a); and
- (iv) in the manner provided in Section 5.03(d).

SECTION 5.06. Application of Excepted Property. Any Excepted Property received by Indenture Trustee shall be paid by Indenture Trustee to the Person to whom such Excepted Property is payable, provided that Indenture Trustee has been advised that such payment constitutes Excepted Property.

SECTION 5.07. Applications with Respect to Principal, Premium and Interest. All payments in respect of principal of, and Premium, if any, and interest on, the Notes shall be applied first to the payment of interest, second to the payment of principal then due and third to the payment of any Premium then due.

ARTICLE VI

Events of Default; Remedies

SECTION 6.01. Indenture Events of Default. "Indenture Event of Default" shall mean any of the following events (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body or other Applicable Law):

(a) any failure to make any payment when due of principal of, or Premium, if any, or interest on, any Note shall occur, and such failure shall be continuing at the end of the seventh Business Day thereafter;

(b) an Event of Default under the Lease (other than an Event of Default solely relating to Excepted Property or Excepted Rights) shall have occurred and be continuing;

(c) Owner Trustee or Owner Participant shall default in the due observance or performance of any covenant or agreement to be observed or performed by it under the Notes, this Indenture or the Participation Agreement, and such default shall continue unremedied for 30 days after written notice from Indenture Trustee to Owner Trustee or Owner Participant, as the case may be, specifying the default and demanding that the same be remedied, except that, so long as Owner Trustee is diligently attempting to cure such failure, such failure is not curable by payment of money and no material risk of loss of any Locomotive exists as a result thereof, then such failure shall not constitute an Indenture Event of Default for an additional 60 days;

(d) any representation or warranty on the part of Owner Trustee or Owner Participant made herein or in the Participation Agreement shall fail at any time to be correct as of the date made in any material respect and such failure shall not have been cured on or prior to 30 days after written notice thereof from Indenture Trustee to Owner Trustee or Owner Participant, as the case may be, except that, so long as Owner Trustee is diligently attempting to cure such failure, such failure is not curable by payment of money and no material risk of loss of any Locomotive exists as a result thereof, then such failure shall not constitute an Indenture Event of Default for an additional 60 days;

(e) any Lien (other than Permitted Encumbrances and Liens that Lessee is obligated to discharge under Section 10 of the Lease) shall be asserted against or levied or imposed upon any Locomotive and such Lien shall not be discharged or removed (or bonded against in a manner reasonably satisfactory to Indenture Trustee) within 30 days after written notice from Indenture Trustee to Owner Trustee demanding the discharge or removal thereof;

(f) Owner Participant or Owner Trustee, as trustee (i) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of itself or any substantial part of

its property, (ii) shall consent to any such relief or to the appointment of or taking possession by any such official in any such voluntary case or other proceeding, (iii) shall make a general assignment for the benefit of creditors or (iv) shall take any corporate action to authorize any of the foregoing; except that if there shall have been delivered to Indenture Trustee an Opinion of Counsel satisfactory to Indenture Trustee to the effect that such a case or proceeding with respect to Owner Participant would not adversely affect Owner Trustee or the Trust Estate, then such a case or proceeding with respect to Owner Participant shall not constitute an Indenture Event of Default; or

(g) a receiver, trustee, liquidator or custodian of Owner Participant or Owner Trustee, as trustee, or of a substantial part of its property shall be appointed by court order and such order shall remain in effect for more than 60 days; or Owner Participant or Owner Trustee, as trustee, shall be adjudicated bankrupt or insolvent (including by way of entry of an order for relief) or any of its properties shall be sequestered by court order and such order shall remain in effect for more than 60 days; or a petition shall be filed against Owner Participant or Owner Trustee, as trustee, under any bankruptcy, insolvency or other similar law now or hereafter in effect and shall not be dismissed within 60 days after such filing; except that if there shall have been delivered to Indenture Trustee an Opinion of Counsel satisfactory to Indenture Trustee to the effect that such an appointment, adjudication, order or filing with respect to Owner Participant would not adversely affect Owner Trustee or the Trust Estate, then such an appointment, adjudication, order or filing with respect to Owner Participant shall not constitute an Indenture Event of Default.

Notwithstanding the foregoing, an Event of Default or an Indenture Event of Default of the type referred to in clause (i), (ii) or (iii) below shall not be an Indenture Event of Default if it results from:

(i) nonpayment of Basic Rent, a Stipulated Loss Value payment or a Termination Value payment and Owner Trustee or Owner Participant shall have paid the full

amount of such defaulted payment, including any interest thereon at the Overdue Rate, within 15 Business Days after receipt of notice by Owner Trustee and Owner Participant of such nonpayment;

(ii) nonpayment of Supplemental Rent (other than a Stipulated Loss Value payment or a Termination Value payment) and Owner Trustee or Owner Participant shall have paid the full amount of such defaulted payment, including any interest thereon at the Overdue Rate, within 15 Business Days after receipt of notice by Owner Trustee and Owner Participant of such nonpayment; or

(iii) a failure of Lessee to perform or observe any covenant, condition or agreement (other than to pay Rent) to be performed or observed by it under the Lease or the Participation Agreement and Owner Trustee or Owner Participant shall have performed or observed such covenant, condition or agreement on behalf of Lessee within 60 days after the receipt by Owner Trustee and Owner Participant of notice of such failure;

provided, however, that (A) in the case of clause (i) above, Owner Trustee or Owner Participant shall only have the right to cure the nonpayment of Basic Rent in respect of three consecutive Payment Dates or six overall Payment Dates, (B) in the case of clause (ii) above, Owner Trustee or Owner Participant shall inform Indenture Trustee of its intent to remedy such failure within 10 Business Days after receipt of the notice referred to in clause (iii) above and (C) neither Owner Trustee nor Owner Participant shall have any obligation to cure any Indenture Event of Default referred to in clause (i), (ii) or (iii) above. Neither Owner Trustee nor Owner Participant shall, as a result of exercising the right to remedy any such Event of Default or Indenture Event of Default, obtain any lien on any of the Indenture Estate or on any Rent nor shall any claim of Owner Trustee or Owner Participant against Lessee or any other Person in respect thereof impair the prior right and security interest of Indenture Trustee in and to the Indenture Estate. Upon the making of any such payment or the performance or observance of any such obligation by Owner Trustee or Owner Participant, Owner Trustee or Owner Participant, as the case may be, shall be subrogated to all the rights of Indenture Trustee under the Lease and the Participation Agreement in respect of the payment or the obligation giving rise to such payment, performance or

observance by Owner Trustee or Owner Participant, as the case may be, and any right to any interest in respect thereof, and shall be entitled to any payment or other performance in respect thereof upon receipt by Indenture Trustee; provided, however, that neither Owner Trustee nor Owner Participant may exercise any such subrogation rights at any time that an Indenture Event of Default has occurred and is continuing.

SECTION 6.02. Rescission and Annulment of Acceleration of Maturity. At any time after acceleration of the Notes pursuant to Section 6.03, but before any foreclosure or sale of any of the Indenture Estate has been made under this Article VI or any judgment or decree for payment of money due on any Notes has been obtained by Indenture Trustee as hereinafter in this Article VI provided, the Holders of a majority in aggregate principal amount of the Notes Outstanding may in their sole discretion, by written notice to Owner Trustee, Owner Participant, Lessee and Indenture Trustee, rescind and annul such declaration and its consequences if (a) Owner Trustee or Owner Participant has deposited with Indenture Trustee a sum sufficient to pay all overdue installments of interest on all Notes and the principal of, and Premium, if any, on, any Notes which have become due otherwise than by such acceleration and interest thereon at the rate or rates prescribed therefor for such Notes and (b) all Indenture Events of Default, other than the nonpayment of the principal of Notes which has become due solely by such acceleration, have been cured or waived. No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

SECTION 6.03. Remedies. (a) General. When any Indenture Event of Default has occurred and is continuing, Indenture Trustee, subject to Sections 6.01, 6.02, 6.03(b) and 6.03(c) and any applicable mandatory legal requirements, may, without limitation of any other rights and remedies available at law or in equity or by statute, exercise any one or more or all, and in any order, of the remedies hereinafter set forth:

(i) Indenture Trustee may, and upon the written request of the Holders of at least 25% in principal amount of the Notes then Outstanding shall, by notice in writing to Owner Trustee, declare the entire unpaid balance of the Notes to be immediately due and payable, and thereupon (or, in the case of an Indenture Event of

Default under Section 6.01(f) or 6.01(g), upon the occurrence thereof) all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(ii) Indenture Trustee personally, or by agents or attorneys, may take possession of all or any part of the Indenture Estate (and for that purpose may pursue the same wherever it may be found) and exclude Owner Trustee wholly therefrom and may use, operate, lease, manage, store and control the Indenture Estate, and collect and receive all earnings, revenues, rents, issues, proceeds and income of the Indenture Estate and every part thereof (excluding Excepted Property), and maintain, repair and renew the Indenture Estate and make replacements, alterations, additions and improvements thereto or remove and dispose of any portion of the Indenture Estate and otherwise exercise any and all of the rights and powers of Owner Trustee in respect thereof;

(iii) Indenture Trustee may, either with or without taking possession and either before or after taking possession and without instituting any legal proceedings, but having first given notice of such sale to Owner Trustee at least 15 days prior to the date of such sale and any other notice which may be required by law, sell and dispose of the Indenture Estate or any part thereof or interest therein at public auction, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as Indenture Trustee may determine, and at any place (whether or not it be the location of the property being sold) designated in the notice above referred to; any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, without further notice; and Indenture Trustee and any Holder may bid and become the purchaser at any such sale (subject to any limitation created by federal income tax law on a Holder's qualification as a "grantor trust");

(iv) Indenture Trustee may proceed to protect and enforce this Indenture and the Notes by suit or suits or proceedings in equity, at law, in bankruptcy or otherwise, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for

foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the enforcement of any other legal or equitable remedy available under Applicable Law; and

(v) Indenture Trustee may exercise all rights, privileges and remedies of Owner Trustee under the Lease, either in the name of Indenture Trustee or in the name of Owner Trustee for the use and benefit of Indenture Trustee.

(b) Limitation. Notwithstanding Section 6.03(a), Indenture Trustee shall not be entitled to exercise the retention right provided by Section 9-505(2) of the Uniform Commercial Code unless notice of the proposal to retain the collateral is sent to Owner Participant at the same time as such notice is sent to Owner Trustee. Notwithstanding Section 6.03(a), Indenture Trustee shall not be entitled to foreclose the lien of this Indenture as a result of an Indenture Event of Default which arises solely by reason of one or more events or circumstances which constitute an Event of Default, unless Indenture Trustee shall have exercised or concurrently be exercising one or more of the remedies provided for in Section 16 of the Lease as Indenture Trustee shall in its good faith discretion determine, to the extent that it is then entitled to do so hereunder and under the Lease and is not then, and has not been for a continuous period in excess of 60 days, stayed or otherwise prevented from doing so by operation of law or otherwise, and if Indenture Trustee is so stayed or prevented by operation of law as a result of a case or proceeding under the Bankruptcy Code involving Lessee, Indenture Trustee will not foreclose the lien of this Indenture without so proceeding under the Lease (i) until the expiration of the 60-day period provided for in Section 1168 of the Bankruptcy Code for Lessee or its bankruptcy trustee to agree to perform all obligations of Lessee under the Lease (or such later date to which the expiration of such period shall be extended with the agreement of Indenture Trustee) or (ii) if, within such period, Lessee or such trustee agrees to perform all obligations of Lessee under the Lease and to effect a cure for any outstanding Events of Default as provided in said Section 1168 (other than an Event of Default relating solely to the pendency of Lessee's bankruptcy proceeding) and cures all outstanding Events of Default prior to the later of 30 days after the date of each such Event of Default and the expiration of such period.

(c) Discontinuance. If Indenture Trustee shall have proceeded to enforce any right, power or remedy under this Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to Indenture Trustee, then and in every such case Owner Trustee and Indenture Trustee shall, subject to any determination in such proceedings, be restored to their former positions and rights hereunder with respect to the Indenture Estate, and all rights, remedies and powers of Indenture Trustee shall continue as if no such proceedings had been taken.

(d) Lessee's Rights. Notwithstanding anything to the contrary in this Indenture, so long as no Event of Default shall have occurred and be continuing, neither Indenture Trustee nor any Holder shall take or cause to be taken any action contrary to Lessee's rights under the Lease, including the right to possession and use of the Locomotives. Nothing in this Section 6.03(d) (i) shall prevent Indenture Trustee from participating in proceedings commenced by any other Person as referred to in Section 10(b) of the Lease to the extent necessary to preserve the rights of Indenture Trustee pending compliance by Lessee with its obligations thereunder or (ii) is intended or shall be construed to be a waiver of the priority of the lien of this Indenture as against any other Lien or subordination to any other Lien. The provisions of this Section 6.03(d) are for the benefit of Lessee and may not be modified, altered, amended or supplemented without the consent of Lessee.

(e) Lease Events of Default. Any Indenture Event of Default (other than an Indenture Event of Default resulting solely from an Event of Default under Section 15(d) or 15(e) of the Lease) shall be deemed to exist and continue so long as, but only so long as, it shall not have been remedied; and any Indenture Event of Default resulting solely from an Event of Default under Section 15(d) or 15(e) of the Lease shall be deemed to exist and continue so long as, but only so long as, Lessee shall not have, with the approval of the relevant court, either (a) cured all existing defaults under the Lease and agreed to perform the Lease in accordance with Section 1168 of the Bankruptcy Code or (b) assumed the Lease pursuant to Section 365 of the Bankruptcy Code.

SECTION 6.04. Right of Indenture Trustee to File Proofs of Claim. Indenture Trustee may file such proofs of

claim and other papers and documents as may be necessary or advisable in order to have the claims of Indenture Trustee and of the Holders allowed in any judicial proceedings relative to Owner Trustee (or any other obligor on the Notes) or its creditors or its property.

SECTION 6.05. General Limitations on Duties of Indenture Trustee. Indenture Trustee shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Locomotives or any other part of the Indenture Estate, or otherwise to take or refrain from taking any action under or in connection with the Lease, except as expressly provided by the terms of this Indenture or as expressly provided in directions of a majority in interest of the Holders.

SECTION 6.06. Possession of Notes by Indenture Trustee Unnecessary for Enforcement. All rights of action and claims under this Indenture or any of the Notes may be prosecuted and enforced by Indenture Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto. Any such proceeding instituted by Indenture Trustee shall be brought in its own name as trustee of an express trust.

SECTION 6.07. Unconditional Right of Holder To Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and Premium, if any) and interest on such Note on the respective due dates thereof and to institute suit for the enforcement of such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 6.08. Remedies Cumulative. No right or remedy herein conferred upon or reserved to Indenture Trustee or to the Holders is intended to be exclusive of any other right or remedy. Every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law, in equity, in bankruptcy, by statute or otherwise and may be exercised from time to time and as often and in such order as may be deemed expedient by Indenture Trustee or the Holders. No delay or omission of Indenture Trustee or of any Holder to exercise any right or remedy shall impair any such right or remedy or constitute a waiver of any Indenture Default or Indenture Event of

Default or an acquiescence therein. Every right and remedy given by this Indenture or by law to Indenture Trustee or the Holders may be exercised from time to time, and as often as may be deemed expedient, by Indenture Trustee or the Holders.

SECTION 6.09. Acceleration Clause. To the maximum extent permitted by Applicable Law, in case of any sale of the Indenture Estate or any part thereof pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Indenture, the principal of the Notes, if not previously due, and the Premium, if any, and interest thereon, shall at once become and be immediately due and payable; in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use any of the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes, including principal and interest thereon, out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash.

SECTION 6.10. Purchaser Protected. No purchaser of property pursuant to this Article VI shall be bound to ascertain the authority of Indenture Trustee or to inquire as to the existence of any conditions herein prescribed for the exercise of such authority; nor shall any purchaser of any property permitted by this Article VI be under any obligation to ascertain or inquire into the authority of Owner Trustee to make any such sale. Any sale by Indenture Trustee under this Article VI shall be sufficient for the purpose of this Indenture and shall constitute a good and valid release of the property sold from the lien hereof.

ARTICLE VII

Indenture Trustee

SECTION 7.01. Acceptance of Trusts. Indenture Trustee accepts the trust imposed upon it by this Indenture, covenants and agrees to perform the same as herein expressed and agrees to receive and disburse all moneys constituting part of the Indenture Estate in accordance with the terms hereof.

SECTION 7.02. Certain Duties and Responsibilities of Indenture Trustee. (a) No Indenture Event of Default. Except during the continuation of an Indenture Event of Default:

(i) Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against Indenture Trustee; and

(ii) in the absence of negligence on its part, Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein and the genuineness of all such writings, upon certificates or opinions furnished to Indenture Trustee and substantially conforming to the requirements of this Indenture, but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to Indenture Trustee, Indenture Trustee shall be under a duty to examine the same to determine whether or not in Indenture Trustee's reasonable opinion they substantially conform to the requirements of this Indenture.

(b) Indenture Event of Default. In case an Indenture Event of Default has occurred and is continuing, Indenture Trustee shall exercise such of the rights and powers vested in it by this Indenture as it shall be directed in writing from time to time by the Holders of a majority in principal amount of the Notes Outstanding and in the absence of such direction Indenture Trustee may take (or may refrain from taking), in its sole discretion, such action as it may deem to be in the interest of the Holders, and in exercising its rights and powers hereunder Indenture Trustee shall use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) Liability. Nothing in this Indenture shall relieve Indenture Trustee from any liability for any breach of any of its representations or warranties or covenants set forth herein or in the Participation Agreement. No provision of this Indenture shall be construed to relieve Indenture Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own wilful misconduct (or, with respect to the

handling of funds, its negligent action, its own negligent failure to act or its own wilful misconduct), except that:

(i) this Section 7.02(c) shall not be construed to limit the provisions of Section 7.02(a)(i);

(ii) Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of Indenture Trustee, unless it shall be proved that the actions of such Responsible Officer were grossly negligent (or negligent in the case of a matter relating to the handling of funds) with respect to ascertaining pertinent facts;

(iii) Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Notes Outstanding relating to the time, method and place of conducting any proceedings for any remedy available to Indenture Trustee, or exercising any trust or power conferred upon Indenture Trustee, under this Indenture; and

(iv) no provision of this Indenture shall require Indenture Trustee (A) to do anything contrary to law or to the provisions of any Operative Document to which it is a party, (B) to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it or (C) to execute any document or take any action that it shall reasonably determine, or shall have been advised by counsel, is likely to result in personal liability on the part of Indenture Trustee, unless it shall be indemnified to its satisfaction.

(d) Other Provisions. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct of, or affecting the liability of or affording protection to, Indenture Trustee shall be subject to the provisions of this Section 7.02.

SECTION 7.03. Notice of Defaults; Consents.

(a) Notice. Not later than two Business Days after a

nonpayment of the type referred to in clause (i) and (ii) of the last paragraph of Section 6.01, Indenture Trustee shall transmit notice thereof to Owner Trustee and Owner Participant by a method described in Section 10.03 that results in such notice being effective upon receipt. As promptly as possible after a Responsible Officer of Indenture Trustee obtains actual knowledge of any Indenture Event of Default, Indenture Trustee shall transmit notice thereof to all Holders, Owner Trustee, Owner Participant and Lessee, unless such Indenture Event of Default shall have been cured or waived. In the event Indenture Trustee shall have transmitted notice of an Indenture Event of Default and such Indenture Event of Default is subsequently cured or waived, Indenture Trustee shall give notice to such effect to the Holders. Indenture Trustee shall not be deemed to have knowledge of any Event of Default, Indenture Event of Default or other fact or circumstance absent actual knowledge thereof by a Responsible Officer of Indenture Trustee.

(b) Consents. Except as provided in Article VIII, Indenture Trustee shall not give any consent or waiver under any Operative Document without the consent of Holders of at least a majority of the aggregate principal amount of Notes Outstanding.

SECTION 7.04. Certain Rights of Indenture Trustee. Except as otherwise provided in Section 7.02:

(a) Indenture Trustee may rely upon and shall be protected in acting or refraining from acting in reliance upon any resolution, statement, instrument, opinion, report, notice, request, direction, consent, order, certificate or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper Person or Persons;

(b) any request or direction of Owner Trustee mentioned herein shall be sufficiently evidenced by a certificate or request signed by a Responsible Officer of Owner Trustee;

(c) whenever, in the administration of this Indenture, Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence be herein specifically prescribed) may be deemed to be conclusively proved and

established by a certificate signed by a Responsible Officer of Owner Trustee and delivered to Indenture Trustee;

(d) Indenture Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) Indenture Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) Indenture Trustee shall have no duty to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, Note or other paper or document, but Indenture Trustee, in its discretion, may (but shall not be obligated to) make such further inquiry or investigation into such facts or matters as it may see fit;

(g) Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and Indenture Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the permissive rights of Indenture Trustee to do things enumerated in this Indenture shall not be construed as a duty; and

(i) unless otherwise specifically provided herein or in any other Operative Document, Indenture Trustee may in the performance of its duties herein or in any other Operative Document, if it deems desirable, request direction from, and shall be protected in relying upon such direction of, the Holders of not less

than a majority in aggregate principal amount of Notes Outstanding.

SECTION 7.05. Limitation on Responsibility of Indenture Trustee. The recitals contained herein and in the Notes, except the certificates of authentication, shall be taken as the statements of Owner Trustee, and Indenture Trustee assumes no responsibility for their correctness. Indenture Trustee makes no representation as to the value or condition of the Indenture Estate or any part thereof, as to the title of Owner Trustee thereto or as to the security afforded thereby or hereby, as to the validity or genuineness of any securities at any time pledged or deposited with Indenture Trustee hereunder or as to the validity or sufficiency of this Indenture or the lien created hereunder or any of the Operative Documents. Indenture Trustee shall not be responsible for the use or application by Owner Trustee of the Notes or the proceeds thereof.

Indenture Trustee (except in accordance with Section 6.03 or 7.02(b)) shall have no duty (a) to see to any insurance on the Locomotives or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, (b) to see to the payment or discharge of any tax, assessment or other governmental charge or any Lien owing with respect to, assessed or levied against any of the Locomotives, (c) to inspect the Locomotives at any time or ascertain or inquire as to the performance or observance of any of the covenants of Lessee under the Lease with respect to the Locomotives, (d) to confirm, verify or inquire into the failure to receive any financial statements of Lessee or (e) except as set forth herein, to see to any filing or recording or see to the maintenance of any such filing or recording with any governmental agency or office.

SECTION 7.06. Possession of Original Executed Lease. Indenture Trustee shall at all times keep possession of the original executed counterpart of the Lease and each supplement or amendment to the Lease.

SECTION 7.07. Indenture Trustee May Hold Notes. Indenture Trustee may become an owner or pledgee of Notes and may deal with the other parties to the Participation Agreement and the Lease and the parties to the transactions contemplated thereby as if it were not Indenture Trustee.

SECTION 7.08. Funds May Be Held by Indenture Trustee. (a) Any moneys held by Indenture Trustee hereunder as part of the Indenture Estate may, until paid out by Indenture Trustee as herein provided, be carried by Indenture Trustee on deposit with itself, and except as otherwise agreed to by Owner Trustee or Indenture Trustee neither shall have any liability for interest upon any such moneys.

(b) Any amounts held by Indenture Trustee pursuant to the express terms of this Indenture or the Lease and not required to be distributed as herein or therein provided shall be invested and reinvested by Indenture Trustee from time to time in Permitted Investments at the written direction and at the risk and expense of Lessee, except that in the absence of any such direction, such amounts need not be invested and reinvested and except that after an Event of Default shall have occurred and be continuing, such amounts shall be so invested and reinvested by Indenture Trustee in Permitted Investments, at the risk of, but without any direction from, Lessee. Any net income or gain realized as a result of any such investments or reinvestments shall be held as part of the Indenture Estate and shall be applied by Indenture Trustee at the same times, on the same conditions and in the same manner as the amounts in respect of which such income or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held, and if no Event of Default shall have occurred and be continuing, any excess shall be paid to Lessee. Any such Permitted Investments may be sold or otherwise reduced to cash (without regard to maturity date) by Indenture Trustee whenever necessary to make any application as required by such provisions. Indenture Trustee shall have no liability for any loss resulting from any such investment or reinvestment other than by reason of the willful misconduct or gross negligence of Indenture Trustee.

SECTION 7.09. Compensation and Reimbursement of Indenture Trustee. It is understood that Lessee will pay Indenture Trustee reasonable compensation and shall reimburse Indenture Trustee for its reasonable fees and expenses (including the fees and expenses of its attorneys and others not regularly in its employ) incurred in performing its duties and obligations hereunder.

SECTION 7.10. Corporate Trustee Required; Eligibility. There shall at all times be an Indenture Trustee hereunder, which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 (or the obligations and liabilities of which are irrevocably and unconditionally guaranteed by an affiliated company having a combined capital and surplus of at least \$100,000,000), subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 7.10, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time Indenture Trustee shall cease to be or have reason to believe that it shall cease to be eligible in accordance with the provisions of this Section 7.10, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VII.

SECTION 7.11. Resignation and Removal; Appointment of Successor. (a) Effectiveness. No resignation or removal of Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Article VII shall become effective until the acceptance of appointment by the successor Indenture Trustee under Section 7.12.

(b) Resignation. Subject to Section 7.11(a), Indenture Trustee may resign at any time by giving written notice thereof to Owner Trustee and each Holder. If an instrument of acceptance by a successor Indenture Trustee shall not have been delivered to Owner Trustee and Indenture Trustee within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(c) Removal. Indenture Trustee may be removed at any time by Act (following consultation with Lessee) of the Holders of a majority in aggregate principal amount of Notes Outstanding delivered to Indenture Trustee and to Owner Trustee. In addition, if Indenture Trustee shall become incapable of acting or shall be adjudged a bankrupt or

insolvent, or a receiver of Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then any Holder who has been a bona fide Holder for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of Indenture Trustee and the appointment of a successor Indenture Trustee.

(d) Appointment of Successor. If Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Indenture Trustee for any reason, Owner Trustee shall (following consultation with Lessee) promptly appoint a successor Indenture Trustee. If, within one year after such resignation or removal or the occurrence of such vacancy or incapability, a successor Indenture Trustee shall be appointed by Act (following consultation with Lessee) of the Holders of a majority in principal amount of Notes Outstanding, delivered to Owner Trustee and the retiring Indenture Trustee, the successor Indenture Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Indenture Trustee and supersede any successor Indenture Trustee appointed by Owner Trustee. If no successor Indenture Trustee shall have been so appointed by the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(e) Notice. Indenture Trustee shall give notice of each resignation and each removal of Indenture Trustee and each appointment of a successor Indenture Trustee by mailing written notice of such event to all Holders. Each notice shall include the name of the successor Indenture Trustee and the address of its office for purposes of notices.

SECTION 7.12. Acceptance of Appointment by Successor. Every successor Indenture Trustee appointed hereunder shall execute, acknowledge and deliver to Owner Trustee and the retiring Indenture Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Indenture Trustee shall become

effective and such successor Indenture Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Indenture Trustee; but, on request of Owner Trustee, Lessee or the successor Indenture Trustee, such retiring Indenture Trustee shall upon payment of its charges (or the making of due provision satisfactory to it therefor) execute and deliver an instrument conveying and transferring to such successor Indenture Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Indenture Trustee and shall duly assign, transfer and deliver to such successor Indenture Trustee all property and money held by such retiring Indenture Trustee hereunder. Upon request of any such successor Indenture Trustee, such retiring Indenture Trustee and Owner Trustee shall execute any and all instruments to vest more fully and certainly in and confirm to such successor Indenture Trustee all such estates, properties, rights, powers and trusts.

SECTION 7.13. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Indenture Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of Indenture Trustee, shall be the successor to Indenture Trustee hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 7.14. Action upon Release or Termination of Indenture. Upon any sale or transfer of any Locomotive, either upon the expiration of the Lease in accordance with its terms or upon the termination of the Lease or otherwise, Indenture Trustee shall, upon Owner Trustee Request, execute and deliver to, or as directed in writing by, Owner Trustee an appropriate instrument releasing the lien of this Indenture with respect to such Locomotive, but only if (i) Indenture Trustee shall have received an amount in cash sufficient for the payment in full of the principal of, Premium, if any, and interest on Notes to be redeemed in connection with such sale or transfer or (ii) such Locomotive has been replaced pursuant to Section 12(c) of the Lease.

ARTICLE VIII

Supplemental Indentures; Amendments to Other Documents

SECTION 8.01. Supplemental Indentures Without Consent of Holders. Owner Trustee and Indenture Trustee, at any time and from time to time, without the consent of any Holder (but with notice to each Holder), may enter into one or more supplemental indentures hereto, in form and substance satisfactory to Indenture Trustee, for the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of this Indenture (including upon an Assumption Event) or to subject additional property to the lien of this Indenture;

(b) to add to the covenants of Owner Trustee for the benefit of the Holders or to surrender any right or power herein conferred upon Owner Trustee;

(c) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided that Indenture Trustee shall have determined, in good faith, that such action shall not adversely affect the interests of the Holders;

(d) to evidence the succession of a successor to Owner Trustee in accordance with the Trust Agreement and the assumption by such successor of the covenants of Owner Trustee herein and in the Notes contained;

(e) to create one or more series of Additional Notes in accordance with Article III; or

(f) to provide for the release of Locomotives and the assumption of Notes in accordance with the provisions of Section 4.04 or 7.14.

SECTION 8.02. Supplemental Indentures with Consent of Holders. With the consent of the Holders of at least a majority in aggregate principal amount of Notes Outstanding by Act of said Holders delivered to Owner

Trustee and Indenture Trustee, Owner Trustee may, and Indenture Trustee shall, enter into a supplemental indenture or indentures hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of each Holder affected thereby:

(a) change the maturity of any installment or payment of principal of, or any interest on, any Note, or reduce the principal amount thereof or the interest thereon or any Premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, the principal of or Premium or interest on any Note is payable, or impair the right to institute suit for the enforcement of any such payment on or after the maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(b) create any security interest or mortgage with respect to the Indenture Estate ranking prior to or on a parity with the security interest and mortgage created by this Indenture, or deprive any Holder of the lien of this Indenture on the Indenture Estate, except as expressly permitted herein;

(c) reduce the percentage in aggregate principal amount of the Notes Outstanding the consent of the Holders of which is required for any supplemental indenture, or the consent of the Holders of which is required for any waiver (of compliance with certain provisions of this Indenture or of certain defaults hereunder and their consequences) provided for in this Indenture; or

(d) modify any of the provisions of this Section, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Note affected thereby.

SECTION 8.03. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article VIII or the modifications thereby of the trusts created by this Indenture, Indenture Trustee and Owner Trustee shall be entitled to receive, and shall be fully

protected in relying upon, an Opinion of Counsel stating that the execution, delivery and performance of such supplemental indenture is authorized or permitted by this Indenture. Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects Indenture Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 8.04. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article VIII may, and if required by Indenture Trustee shall, bear a notation in form approved by Indenture Trustee as to any matter provided for in such supplemental indenture. If Indenture Trustee or Owner Trustee shall so determine, new Notes so modified as to conform, in the opinion of Indenture Trustee and Owner Trustee, to any such supplemental indenture may be prepared and executed by Owner Trustee and authenticated and delivered by Indenture Trustee in exchange for Notes Outstanding.

SECTION 8.05. Amendments, Waivers, etc. of Other Documents. (a) Majority Consent. Without the consent of a majority in aggregate principal amount of Notes Outstanding by Act of such Holders, neither Indenture Trustee nor Owner Trustee may modify, amend or supplement the Lease, the Participation Agreement or the Trust Agreement, or give any consent, waiver, authorization or approval with respect thereto (any such modification, amendment, supplement, consent, waiver, authorization or approval hereinafter called a "Change") for the purpose of changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the parties thereunder, except that the actions specified in Section 8.05(b) may be taken without the consent of the Indenture Trustee or of any Holder.

(b) No Consent. Subject to the provisions of Section 8.05(c), the respective parties to the Lease, the Trust Agreement and the Participation Agreement, at any time and from time to time may:

(1) so long as no Indenture Event of Default shall have occurred and be continuing, effect a Change in the Lease, except with respect to the following provisions of the Lease: Section 2(a), Section 2(b) (if the result thereof would be to shorten the Basic Term to a period shorter than the period ending with the final

maturity of any Note), Section 3(a), Section 3(b), Section 3(c) (other than as such Sections 3(a), 3(b) and 3(c) may be amended pursuant to Section 3(f) of the Lease as originally executed), Section 3(d), Section 3(h), Section 4(b) (except for a Change that is not applicable to nor effective during an Event of Default), Section 4(c) (but only to the extent relating to Section 4(c)(iii)(C) or to the exercise of purchase options during the existence of an Event of Default), Section 4(d) (except for a Change that is not applicable to nor effective during an Event of Default), Section 4(e), Section 7(b) (except for a Change that is not applicable to nor effective during an Event of Default), Section 8, Section 9(d), Section 10, Section 11 (except that additional insurance requirements may be imposed on Lessee), Section 12 (except that additional requirements may be imposed on Lessee's ability to replace a Locomotive subject to an Event of Loss), Section 13 (except that additional requirements may be imposed on Lessee's ability to terminate the Lease with respect to a Locomotive), Section 14, Section 15, Section 16, Section 18, Section 19, Section 20, Section 23, Section 24(a), Section 24(b), Section 24(c), Section 24(i), Section 24(k), Section 24(l), Section 24(m) and Section 24(n), and any definition of a term used in the Lease to the extent that any Change in such definition would result in a Change not permitted by this Section 8.05(b); but if an Indenture Event of Default shall have occurred and be continuing, Indenture Trustee shall have all rights of Owner Trustee under the Lease to effect Changes in the Lease, except that, without the prior consent of Owner Trustee, no Change (including a Change in any definition of a term used in the Lease to the extent that such Change would result in a Change not permitted by clause (x) or (y) below) shall be effected that would (x) materially adversely affect Owner Trustee, including with respect to (A) the amount or timing of any amounts payable by Lessee under the Lease as originally executed (or as subsequently modified with the consent of Owner Trustee) which absent the occurrence and continuance of an Indenture Event of Default would be distributable to Owner Trustee under Section 3 or any other Section of the Lease or (B) any obligations of Lessee under Section 7, 9 or 10 of the Lease or (y) materially increase the obligations of Owner Trustee or Owner Participant;

(2) effect a Change in the Trust Agreement, except with respect to the following provisions of the Trust Agreement: Article X, Sections 6.01, 6.03, 9.01, 11.03 and 11.07 and any definition of a term used in the Trust Agreement to the extent that any Change in such definition would result in a Change not permitted by this Section 8.05(b);

(3) effect a Change in the Participation Agreement, except with respect to the following provisions of the Participation Agreement: Articles II, VI, VIII, IX, XI, XIII and XIV (insofar as Article XIV relates to Indenture Trustee, the Holders and their related Indemnitees) and Sections 2.02, 7.01, 7.03, 7.04, 7.05, 10.01, 15.05, 15.08, 15.09 and 15.10, each provision of the Participation Agreement which specifically refers to Indenture Trustee or Loan Participants or Holders and any definition of a term used in the Participation Agreement to the extent that any Change in such definition would result in a Change not permitted by this Section 8.05(b); and

(4) effect a Change in any of said agreements in order to cure any ambiguity or to correct or supplement any provision thereof which may be inconsistent with any other provision thereof, so long as such Change is consistent with the provisions of this Indenture and not adverse to the interests of the Holders.

(c) Unanimous Consent. Notwithstanding Sections 8.05(a) and 8.05(b), no Change with respect to the Lease or the Participation Agreement shall, without the consent of the Holder of each Note affected thereby:

(1) extend the time of payment of Basic Rent, Stipulated Loss Value, Termination Value or any other amounts payable under or as provided in the Lease upon the occurrence of an Event of Loss or a termination of the Lease, or affect Section 3(h) of the Lease; or

(2) release Lessee from its obligation in respect of payments under or as provided in the Lease, except as provided in the Lease.

ARTICLE IX

Covenants

SECTION 9.01. Payment of Principal and Interest. Subject to Section 10.01, Owner Trustee will duly and punctually pay or cause to be paid the principal amount of and Premium, if any, and interest on all Notes Outstanding according to the terms thereof and hereof.

SECTION 9.02. Further Assurance. Owner Trustee will from time to time do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, transfers and assurances as shall reasonably be required for better assuring, conveying, transferring, assigning and confirming the Indenture Estate unto Indenture Trustee or as in the opinion of counsel for Indenture Trustee may be required more effectively to subject the Indenture Estate to the lien of this Indenture as security for, and for the benefit and protection of, the Notes.

SECTION 9.03. Notice to Indenture Trustee of Default. Immediately upon a Responsible Officer of Owner Trustee having actual knowledge of the occurrence of an Indenture Default or Indenture Event of Default, then, unless such Indenture Default or Indenture Event of Default shall have been cured or waived, Owner Trustee shall notify Indenture Trustee, Owner Participant, Lessee and each Holder of such occurrence in writing setting forth in reasonable detail the circumstances actually known to Owner Trustee surrounding such Indenture Default or Indenture Event of Default and what action Owner Trustee proposes to take with respect thereto.

SECTION 9.04. Payments to Indenture Trustee. Should Owner Trustee receive any payments or proceeds that are part of the Indenture Estate (excluding any payments that have been distributed to Owner Trustee or Owner Participant by Indenture Trustee in accordance with the provisions of this Indenture), it shall promptly forward such payments or proceeds to Indenture Trustee or in accordance with Indenture Trustee's instructions.

ARTICLE XMiscellaneous

SECTION 10.01. Indenture and Notes; Nonrecourse Obligations. The principal amount of and Premium, if any, and interest on the Notes shall be payable only out of and to the extent that there are sufficient income and proceeds from the Indenture Estate. By its acceptance of a Note, each Holder agrees that none of Owner Trustee in its individual capacity, Owner Participant or Indenture Trustee shall have any personal liability for any amounts payable under the Notes or, except as otherwise set forth in this Section 10.01, for any claim based thereon or otherwise in respect thereof or based on or in respect of this Indenture; provided, however, that nothing herein shall be deemed to (a) prevent recourse to and the enforcement against the Indenture Estate for performance of covenants of Owner Trustee or for liabilities, obligations and undertakings contained in this Indenture or in the Notes, or to excuse Owner Trustee for liability for its own gross negligence or wilful misconduct, or (b) limit Owner Trustee's or Owner Participant's personal liability (or Indenture Trustee's right to resort to the Indenture Estate) for and to the extent of any loss resulting from (i) any inaccuracy of any representation or warranty made by Owner Trustee in its individual capacity in Section 7.04 of the Participation Agreement or in this Indenture or made by Owner Participant in Section 7.03 of the Participation Agreement or (ii) any failure of Owner Trustee in its individual capacity or Owner Participant to perform its obligations undertaken under Section 7.04 or 7.03, respectively, of the Participation Agreement. The provisions of Article XIII of the Participation Agreement are hereby incorporated by reference in this Indenture.

SECTION 10.02. Acts of Holders. (a) Acts. Any request, demand, direction, consent, notice, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as otherwise provided herein, such action shall become effective when such instrument or instruments are delivered to Indenture Trustee. It is understood that a Holder may take or refrain from taking any such action with respect to all or any portion of the principal amount of any Note held by such Holder. Such written instrument or

instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of the execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of Indenture Trustee or of Owner Trustee if made in the manner provided in this Section 10.02.

(b) Evidence. The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgements of deeds, certifying that the Person signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his or her authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which Indenture Trustee deems sufficient. The ownership of Notes shall be proved exclusively by the Note Register.

(c) Binding Effect. Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Note shall bind the Holder of every Note issued upon the registration of transfer thereof, or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by Indenture Trustee or Owner Trustee in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 10.03. Notices, etc., to Indenture Trustee and Owner Trustee. All notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such notice shall become effective upon the earlier of actual receipt or five Business Days after being deposited in the mails, certified or registered, with appropriate postage prepaid for first class mail or, if delivered by hand or courier service or in the form of the facsimile transmission (with evidence of

delivery attached thereto), when received, and shall be addressed:

(a) if to Indenture Trustee at 311 West Monroe Street, 12th Floor, attention of Indenture Trust Division, Facsimile No. (312) 461-3525, Confirmation No. (312) 461-6030; or

(b) if to Owner Trustee at 1301 Gervis Street, Fourth Floor, Columbia, SC 29201, attention of Corporate Trust Administration, Facsimile No. (803) 929-5922, with a copy to NationsBank of Georgia, National Association, Suite 900, 600 Peachtree Street N.E., Atlanta, GA 30308, attention of Corporate Trust Lease Administration, Facsimile No. (404) 607-6534, and a copy to Owner Participant at 7 St. Paul Street, 5th Floor, Baltimore, MD 21202, Attention of G. Victor Bryson;

or to either of the above parties at any other address subsequently furnished in writing by such party to the other party and to each Holder. A copy of any notice, consent, direction, approval, instruction, request or other communication sent to Indenture Trustee or Owner Trustee under this Section 10.03 shall be delivered by the sender thereof to Lessee at Martin Tower, Eighth and Eaton Avenues, Bethlehem, PA 18018, Attention of Treasurer.

SECTION 10.04. Notices to Holders. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, postage prepaid, by certified or registered mail, to each Holder affected by such event at his or her address as it appears in the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

SECTION 10.05. Severability. Any provision of this Indenture that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the parties to this Indenture hereby waive any provision of

law that renders any provision hereof prohibited or unenforceable in any respect.

SECTION 10.06. Amendment and Waiver. Neither this Indenture nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to each party hereto. No failure or delay of any party in exercising any power or right under this Indenture shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

SECTION 10.07. Table of Contents; Headings. The table of contents and headings of the various articles, sections and other subdivisions of this Indenture are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

SECTION 10.08. Parties in Interest; Limitation on Rights of Others. The terms of this Indenture shall be binding upon, and inure to the benefit of, the parties hereto and their successors and assigns. Nothing in this Indenture, whether express or implied, shall be construed to give any Person (other than the parties hereto, the Holders and their successors and assigns and as expressly provided herein) any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision contained herein.

SECTION 10.09. Payment on Business Days. Whenever the date scheduled for any payment to be made hereunder shall not be a Business Day, then such payment need not be made on such scheduled date but may be made on the next Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such next Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date to such next Business Day.

SECTION 10.10. Counterparts. This Indenture may be executed by the parties hereto in separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument. All signatures need not be on the same counterpart.

SECTION 10.11. Governing Law. This Indenture shall in all respects be governed by, and construed in accordance with, the law of the State of New York (excluding the laws applicable to conflicts or choice of law), including all matters of construction, validity and performance.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Indenture and Security Agreement to be duly executed in its corporate name by its officers, thereunto duly authorized, all as of the date first set forth above and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. § 1746 under penalty of perjury under the laws of the United States of America that the foregoing is a true and correct document and was executed and delivered as of the date first set forth above.

Attest:

NATIONSBANK OF SOUTH CAROLINA,
NATIONAL ASSOCIATION
not in its individual capacity but
solely as Owner Trustee,

Stefan Victory
Name: **Stefan Victory**
Trust Officer

by [Signature]
Name: **Howard L. Sheikopf**
Title: **Vice President**

Attest:

HARRIS TRUST AND SAVINGS BANK,
as Indenture Trustee

by

Name:

Name:
Title:

To the extent that this Indenture imposes any obligations on Lessee, Lessee agrees to perform such obligations and to make all payments due under the Lease which are assigned to Indenture Trustee pursuant hereto directly to Indenture Trustee.

UNION PACIFIC RAILROAD COMPANY

by

Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Indenture and Security Agreement to be duly executed in its corporate name by its officers, thereunto duly authorized, all as of the date first set forth above and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. § 1746 under penalty of perjury under the laws of the United States of America that the foregoing is a true and correct document and was executed and delivered as of the date first set forth above.

Attest:

NATIONSBANK OF SOUTH CAROLINA,
NATIONAL ASSOCIATION
not in its individual capacity but
solely as Owner Trustee,

by


Name:

Name:
Title:


Attest:

HARRIS TRUST AND SAVINGS BANK,
as Indenture Trustee

by



Name: D. G. DONOVAN



Name: J. BARTOLINI
Title: VICE PRESIDENT

To the extent that this Indenture imposes any obligations on Lessee, Lessee agrees to perform such obligations and to make all payments due under the Lease which are assigned to Indenture Trustee pursuant hereto directly to Indenture Trustee.

UNION PACIFIC RAILROAD COMPANY

by

Name:
Title:

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Indenture and Security Agreement to be duly executed in its corporate name by its officers, thereunto duly authorized, all as of the date first set forth above and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. § 1746 under penalty of perjury under the laws of the United States of America that the foregoing is a true and correct document and was executed and delivered as of the date first set forth above.

Attest:

NATIONSBANK OF SOUTH CAROLINA,
NATIONAL ASSOCIATION
not in its individual capacity but
solely as Owner Trustee,

by

Name:

Name:
Title:

Attest:

HARRIS TRUST AND SAVINGS BANK,
as Indenture Trustee


by

Name:

Name:
Title:

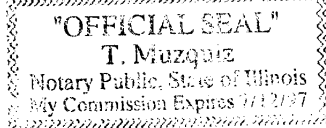
To the extent that this Indenture imposes any obligations on Lessee, Lessee agrees to perform such obligations and to make all payments due under the Lease which are assigned to Indenture Trustee pursuant hereto directly to Indenture Trustee.

UNION PACIFIC RAILROAD COMPANY

by 
Name:
Title: Assistant Treasurer

STATE OF ILLINOIS)
)
COUNTY OF COOK)

On this 29th day of March, 1994 , before me personally appeared J. Bartolini , to me personally known, who, being by me duly sworn, says that he is Vice President of HARRIS TRUST AND SAVINGS BANK, that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



J. Muzzini
Notary Public

[Notarial Seal]
My Commission Expires

STATE OF)
) ss.:
COUNTY OF)


On this day of , before me personally appeared to me personally known, who, being by me duly sworn, says that he is a of NATIONSBANK OF SOUTH CAROLINA, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]
My Commission Expires

STATE OF GEORGIA)
)
COUNTY OF FULTON)

On this 30th day of March 1994, before me personally appeared Howard L. Shellkopf, to me personally known, who, being by me duly sworn, says that he is Vice President of NATIONSBANK OF SOUTH CAROLINA, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

[Notarial Seal]

My Commission Expires
October 21, 1997

STATE OF)
) ss.:
COUNTY OF)

On this day of 4, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of UNION PACIFIC RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission Expires

[D.JOHNSON-UP/LEASE394.WPF/4575/120A]

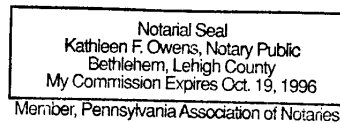
STATE OF PENNSYLVANIA)
) ss.:
COUNTY OF LEHIGH)

On this 6th day of April, 1994 , before me personally
appeared John B. Larsen to me personally known,
who, being by me duly sworn, says that he is an Asst. Treasurer
of UNION PACIFIC RAILROAD COMPANY that one of the seals affixed to
the foregoing instrument is the corporate seal of said
corporation, that said instrument was signed and sealed on behalf
of said corporation by authority of its Board of Directors, and he
acknowledges that the execution of the foregoing instrument was
the free act and deed of said Corporation.

Kathleen F. Owens
Notary Public

[Notarial Seal]

My Commission Expires



SCHEDULE X

DEFINITIONS

"Act" is defined in Section 10.02 of the Indenture.

"Additional Notes" is defined in Article III of the Indenture.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"After-Tax Basis" means, with respect to any payment or indemnity, that the amount thereof shall include the net amount necessary to hold the recipient thereof harmless on an after-tax basis from all taxes required to be paid or credited by such recipient at the actual tax rates applicable to such payment or indemnity under the laws of any taxing authority.

"Applicable Law" means all applicable laws (foreign or domestic), treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including all rules and regulations of the United States Department of Transportation, the Federal Railroad Administration and the ICC and the then applicable Interchange Rules and Supplements thereto of the Mechanical Division, Association of American Railroads.

"Appraisal" is defined in Section 4.01(d) of the Participation Agreement.

"Appraisal Procedure" means the procedure specified in the succeeding sentences for determining an amount or value. If either Lessor or Lessee shall give written notice to the other, in accordance with the Operative Documents, requesting determination of such amount or value by appraisal, such notice (the date of which shall

be the "Appraisal Request Date") shall also designate a qualified Independent appraiser who shall determine such amount or value. If the other party notifies the party giving such notice within 20 days of the Appraisal Request Date that such appraiser is not reasonably acceptable, such amount or value shall be determined by an Independent appraiser selected by the American Arbitration Association. The appraiser selected pursuant to the foregoing procedure shall be instructed to determine such amount or value within 30 days after its appointment (but in no event may such determination be made more than 90 days following the Appraisal Request Date), and such determination shall be final and binding upon the parties. If the Appraisal Procedure is utilized in connection with the possible exercise of a renewal or purchase option pursuant to Section 4(a) of the Lease, all fees and expenses relating to the Appraisal Procedure shall be borne by Lessee. In all other instances, each party shall bear its respective fees and expenses with respect to any Appraisal Procedure and one-half of the fees and expenses of the appraiser.

"Approvals" is defined in Section 4.01(c) of the Participation Agreement.

"Assumption Event" is defined in Section 4.04 of the Indenture.

"Average Life Date" means, with respect to the prepayment of an Interim Note, the date which follows the Redemption Date by a period equal to the number of days equal to the quotient obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each remaining principal installment on such Interim Note by (ii) the number of days from and including the Redemption Date to but excluding the scheduled payment date of such principal installment by (b) the unpaid principal amount of such Interim Note.

"Average Rent" for a Locomotive means an amount equal to all Basic Rent due for such Locomotive during the Basic Term divided by the number of Payment Dates during the Basic Term.

"Bankruptcy Code" means the Bankruptcy Code of 1978.

"Basic Rent" means the rent payable throughout the Lease Term pursuant to Section 3(b) of the Lease.

"Basic Term" is defined in Section 2(b) of the Lease.

"Basic Term Commencement Date" means January 1, 1995.

"Bill of Sale" means the warranty bill of sale of Seller, dated the Closing Date, for Locomotives being delivered on the Closing Date.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the secretary or an assistant secretary or other authorized signatory of such Person to have been duly adopted by the Board of Directors or other governing body of such Person and to be in full force and effect on the date of such certification.

"Business Day" means any day other than a Saturday or Sunday or other day on which banks in New York, New York, Chicago, Illinois, or Columbia, South Carolina, are authorized or obligated to be closed.

"Claim" means any and all liabilities (including strict or absolute liability in tort or otherwise), losses, damages, penalties, costs, actions or suits, which may be imposed on, incurred by, suffered by or asserted against any Indemnitee including all reasonable costs, disbursements and expenses (including legal fees and expenses) in connection therewith or related thereto.

"Closing" with respect to any Locomotive means the delivery of such Locomotive to and acceptance thereof by or on behalf of Owner Trustee from Seller and the delivery of such Locomotive by Owner Trustee to and acceptance thereof by Lessee.

"Closing Date" means April 8, 1994.

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, in the case of Loan Participant, the principal amount of Notes to be purchased by it on the Closing Date or the Funding Date pursuant to Article II of the Participation Agreement and, in the case of Owner Participant, the amount of the investment to be made by it on the Closing Date or the Funding Date pursuant to Article II of the Participation Agreement.

"Default" means an event or condition that, with giving of notice or lapse of time or both, would become an Event of Default.

"Employee Benefit Plan" means both an "employee benefit plan" as defined in Section 3(3) of ERISA and a "plan" as defined in Section 4975(e)(1) of the Code.

"ERISA" means the Employee Retirement Income Security Act of 1974 and the rules and regulations promulgated thereunder.

"Event of Default" is defined in Section 15 of the Lease.

"Event of Loss" means with respect to any Locomotive any of the following events: (i) such Locomotive suffers an actual or constructive total loss in the reasonable opinion of a Responsible Officer of Lessee, (ii) such Locomotive becomes destroyed or irreparably damaged or uneconomical to repair from any cause whatsoever, in each case in the reasonable opinion of a Responsible Officer of Lessee, (iii) title to such Locomotive is taken, condemned or requisitioned by any governmental authority, (iv) such Locomotive is taken, condemned or requisitioned for use by (a) the United States government for a period exceeding the lesser of one year and the remaining Lease Term or (b) any other governmental authority for a period exceeding the lesser of 180 days and the remaining Lease Term, (v) such Locomotive is lost, stolen or otherwise disappears for a period exceeding 180 days, (vi) the use of such Locomotive in the normal course of interstate rail transportation shall have been prohibited for a continuous period in excess of six months as a result of any rule, regulation, order or other action by the United States government or any agency or instrumentality thereof unless Lessee has undertaken and is diligently pursuing actions necessary to permit such use or (vii) Lessee has not redelivered such Locomotive in accordance with Section 4(b) of the Lease and in the condition required by Section 7(b) of the Lease on or before 270 days after the end of the Lease Term. The date of such Event of Loss shall be the date of the event giving rise thereto, except that for purposes of clauses (iv), (v), (vi) and (vii) above, no Event of Loss shall be deemed to have occurred until the end of the applicable period specified therein.

"Excepted Property" and "Excepted Rights" are defined in the Granting Clause of the Indenture.

"Excess Amount" is defined in Article XIII of the Participation Agreement.

"Fair Market Rent" or "Fair Market Sale Value" for any Locomotive means the rent for or sale value of such Locomotive (excluding any Severable Improvements title to which has vested in Lessee) that would be obtained in an arm's-length transaction between an informed and willing owner or seller and an informed and willing lessee or buyer, each under no compulsion to lease or sell or buy, which determination shall (unless being made pursuant to Section 16 of the Lease) be made (i) without deduction for any costs of removal of such Locomotive from the location of current use and (ii) on the assumption that such Locomotive is (a) free and clear of all Liens and is in the condition and repair in which it is required to be returned pursuant to Sections 4(b) and 7(b) of the Lease (but otherwise on an "as is" basis) and (b) interchangeable under the rules of the Association of American Railroads and other Applicable Law.

"Final Determination" means (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all allowable appeals have been exhausted by either party to the action), (ii) a closing agreement entered into under Section 7121 of the Code or any other binding settlement agreement entered into by Owner Participant in connection with an administrative or judicial proceeding (provided Lessee has been reasonably consulted and properly informed by Owner Participant throughout the proceeding of any such closing agreement or settlement agreement and such agreement has been entered into by Owner Participant with the written approval of Lessee), (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto or (iv) settlement of the contest with Lessee's written consent or Lessee's written agreement to discontinue or concede any proceedings or claims or the termination of Lessee's right to have the claim contested.

"Funding Date" means the date specified as such pursuant to Section 2.04 of the Participation Agreement.

"GP15-1" means an EMD/GP15-1 general purpose locomotive, as more particularly described in Schedule 3 to the Participation Agreement.

"GP38-2" means an EMD/GP38-2 general purpose locomotive, as more particularly described in Schedule 3 to the Participation Agreement.

"Guarantor" means Signet Bank/Maryland, a Maryland banking corporation.

"Guaranty" means the Guaranty, dated as of March 31, 1994, executed by Guarantor.

"Harris" means Harris Trust and Savings Bank, an Illinois banking corporation (or any successor as Indenture Trustee under the Indenture), in its individual capacity.

"Holder" means the Person in whose name any Note is registered on the Note Register.

"ICC" means the Interstate Commerce Commission and any agency or instrumentality of the United States succeeding to its functions.

"Improvement" means an improvement, structural change, modification or addition, other than Rehabilitation work, to any Locomotive made after the Closing Date.

"Indemnatee" means Owner Trustee (in its individual capacity and as trustee), Indenture Trustee (in its individual capacity and as trustee), Pass-Through Trustee (in its individual capacity and as trustee), each Participant, each Holder and their respective servants, officers, directors, agents and Affiliates and the successors and assigns of any of the foregoing.

"Indenture" means the Indenture and Security Agreement dated as of March 31, 1994, between Owner Trustee and Indenture Trustee.

"Indenture Default" means an event or condition that, with the giving of notice or lapse of time or both, would become an Indenture Event of Default.

"Indenture Estate" is defined in the Recital Clause of the Indenture.

"Indenture Event of Default" is defined in Section 6.01 of the Indenture.

"Indenture Trustee" means Harris, not in its individual capacity but solely in its capacity as Indenture Trustee under the Indenture.

"Independent" means, when used with respect to any specified Person, such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in Owner Trustee, any Participant or Lessee or in any Affiliate of any of them and (3) is not connected with any Participant, Owner Trustee or Lessee or any such Affiliate as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions. Whenever it is provided that any Independent Person's opinion or certificate shall be furnished to Indenture Trustee or Owner Trustee, such Person shall be appointed by Lessee and approved by Indenture Trustee or Owner Trustee in the exercise of reasonable care and such opinion or certificate shall state that the signer has read this definition and is Independent within the meaning thereof.

"Interim Interest" means the interest due on the Notes on the date of redemption of the Interim Notes (so long as such date is prior to the Basic Term Commencement Date) and on the Basic Term Commencement Date.

"Interim Loan Participant" means the Holder of the Interim Notes.

"Interim Notes" is defined in Section 2.02 of the Indenture.

"Interim Rent" means the rent payable, if any, on the date of redemption of the Interim Notes (so long as such date is prior to the Basic Term Commencement Date) and on the Basic Term Commencement Date.

"Interim Term" is defined in Section 2(b) of the Lease.

"Lease" means the Lease Agreement dated as of March 31, 1994, between Lessee and Owner Trustee.

"Lease and Indenture Supplement" means a Lease and Indenture Supplement among Owner Trustee, Lessee and

Indenture Trustee, substantially in the form of Exhibit A to the Lease, executed and delivered on the Closing Date.

"Lease Term" is defined in Section 2(b) of the Lease.

"Lessee" means Union Pacific Railroad Company, a Utah corporation.

"Lessor" means Owner Trustee as lessor under the Lease.

"Lessor's Cost" means, as of the Closing Date, for any Locomotive the amount set forth in the Lease and Indenture Supplement and, as of the Funding Date, such amount plus the amount for such Locomotive set forth in the invoice delivered pursuant to Section 2.01 of the Participation Agreement. The Lessor's Cost shall not exceed (i) for MP15s, \$210,423 (ii) for GP15-1s, \$242,688 and (iii) for GP38-2s, \$296,415.

"Lien" means any mortgage, pledge, charge, encumbrance, disposition of title, lease or security interest.

"Loan Participant" means, with respect to the Interim Notes, National Westminster Bank Plc, an English banking corporation, and, with respect to Additional Notes issued to refund Interim Notes, either Pass-Through Trustee or the other entity or entities referred to in Section 2.01 of the Participation Agreement.

"Locomotive" means an MP15, a GP15-1 or a GP38-2 acquired by Owner Trustee.

"MP15" means an EMD/MP15 multipurpose locomotive, as more particularly described in Schedule 3 to the Participation Agreement.

"NationsBank" means NationsBank of South Carolina, National Association (or any successor as Owner Trustee under the Trust Agreement), in its individual capacity.

"Net Return" means Owner Participant's anticipated nominal after-tax yield (using a multiple investment sinking fund method of analysis) and aggregate after-tax cash flow with respect to the transactions contemplated by the Operative Documents, computed on the basis of the same

methodology and assumptions as are set forth in Schedule 4 to the Participation Agreement and as were utilized in determining the schedules of Basic Rent, Stipulated Loss Values and Termination Values attached to the Lease on the Closing Date and without considering Owner Participant's cost of capital or any other factor.

"Nonseverable Improvement" means (i) any Improvement that shall not be "readily removable from a Locomotive without causing material damage to it", within the meaning of Revenue Procedure 79-48 of the Internal Revenue Service, or (ii) any Improvement required by Applicable Law.

"Note Register" is defined in Section 2.04 of the Indenture.

"Notes" means all Notes issued under the Indenture, including Interim Notes and Additional Notes.

"Obligations" is defined in the Recital Clause of the Indenture.

"Officer's Certificate" means with respect to any Person, a certificate signed by the Chairman of the Board, the President, a Vice President or a Responsible Officer of such Person.

"Operative Documents" means the Participation Agreement, the Trust Agreement, each Pass-Through Trust, the Indenture, the Notes, the Lease, the Lease and Indenture Supplement, the Guaranty, the Bill of Sale and the Tax Indemnification Agreement.

"Opinion of Counsel" means a written opinion of counsel, who shall be reasonably acceptable to Indenture Trustee (or such other Person to whom such opinion is to be addressed pursuant to any of the Operative Documents).

"Outstanding" when used with respect to the Notes means, as of the date of determination, all the Notes theretofore authenticated and delivered under the Indenture, except:

- (1) Notes theretofore cancelled by Indenture Trustee or delivered to Indenture Trustee for cancellation;

(2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with Indenture Trustee, provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to Indenture Trustee has been made; and

(3) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered under the Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under any Operative Document, Notes owned by Owner Participant, Owner Trustee or Lessee, or any Affiliate of any of them, shall be disregarded and deemed not to be Outstanding, except that, in determining whether Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that Indenture Trustee knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of Indenture Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not Owner Participant, Owner Trustee or Lessee, or any Affiliate of any of them.

"Overdue Rate" means with respect to (i) any amount required to be paid to a Holder of a Note, a rate per annum equal to two percentage points over the interest rate payable in respect of such Note and (ii) any amount constituting Excepted Property or otherwise payable to Owner Trustee or Owner Participant, a rate per annum equal to 11.5%, in each case computed on the basis of a 360-day year of twelve 30-day months.

"Owner Encumbrances" means any Liens against the Locomotives or any part of the Indenture Estate or the Trust Estate that result from acts of, or any failure to act by, or as a result of claims (including any taxes) against, NationsBank, Owner Trustee or Owner Participant arising out of any event or condition unrelated to the ownership of a Locomotive, the administration of the Trust Estate or the transactions contemplated by the Operative Documents, excluding Liens arising from any tax for which Lessee is

obligated to indemnify, but has not yet indemnified, under the Tax Indemnification Agreement or the Participation Agreement.

"Owner Participant" means Signet Leasing and Financial Corporation, a Maryland corporation.

"Owner Trustee" means NationsBank, not in its individual capacity but solely in its capacity as trustee under the Trust Agreement.

"Owner Trustee Request" means a written request signed in the name of Owner Trustee and delivered to Indenture Trustee together with a form of any writing to be executed by Indenture Trustee pursuant to such request.

"Participants" means, collectively, Loan Participant and Owner Participant.

"Participation Agreement" means the Participation Agreement dated as of March 31, 1994, among Lessee, Owner Participant, Interim Loan Participant, Owner Trustee and Indenture Trustee.

"Pass-Through Trust" means any Pass-Through Trust Agreement between Pass-Through Trustee and Lessee contemplated by Section 2.01 of the Participation Agreement.

"Pass-Through Trustee" means Harris, in its capacity as Pass-Through Trustee under a Pass-Through Trust.

"Payment Date" means each January 1 and July 1 during (and including the last day of) the Lease Term, beginning July 1, 1995, or, if any such date is not a Business Day, the next succeeding Business Day.

"Percentage Commitment" of Owner Participant means the percentage set forth in Schedule 2 to the Participation Agreement, as adjusted pursuant to Section 2.01 of the Participation Agreement.

"Permitted Encumbrances" means (a) the rights of Indenture Trustee under the Indenture, (b) the rights of Lessee under the Lease, including subleases of and similar arrangements involving any Locomotive in accordance with the terms of the Lease, (c) Owner Encumbrances and the rights of Owner Trustee and Owner Participant under the Trust Agreement, which rights are subject to the liens and

security interests created by the Indenture, (d) liens for taxes either not yet due or being contested by Lessee in good faith by appropriate proceedings, diligently prosecuted or appealed and which do not involve a non-de minimis risk of a sale, forfeiture or loss of a Locomotive and (e) undetermined or inchoate materialmen's, mechanics', worker's, repairer's or employees' liens or other like liens arising in the ordinary course of business and security obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended and which do not involve a non-de minimis risk of sale, forfeiture or loss of a Locomotive and which are being contested by Lessee in good faith by appropriate proceedings diligently prosecuted or appealed.

"Permitted Investments" means (i) direct obligations of the United States of America and agencies thereof, (ii) obligations fully guaranteed by the United States of America and certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings of at least \$500,000,000 (including Indenture Trustee and Owner Trustee if such conditions are met), (iii) commercial paper of companies, banks, trust companies or national banking associations incorporated or doing business under the laws of the United States of America or one of the states thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to the highest rating assigned by such organization and (iv) repurchase agreements with any financial institution having a combined capital and surplus of at least \$750,000,000 fully collateralized by obligations of the type described in clauses (i) through (iii) above. If all of the above investments are unavailable, the entire amount to be invested may be used to purchase Federal Funds from an entity described in clause (ii) above.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Premium" means, with respect to any Additional Note, the premium referred to in the supplemental indenture creating the same and, with respect to any Interim Note, the product obtained by multiplying (a) the excess, if any, of (i) the sum of the present values of all the remaining scheduled payments of principal and interest from the Redemption Date to maturity of such Interim Note, discounted semiannually on each January 1 and July 1 at a rate equal to the Treasury Rate, based on a 360-day year of twelve 30-day months, over (ii) the aggregate unpaid principal amount of such Interim Note (after deducting the principal installment, if any, due on such Redemption Date) plus any accrued but unpaid interest thereon by (b) a fraction the numerator of which shall be the principal amount of such Interim Note to be prepaid on such Redemption Date and the denominator of which shall be the aggregate unpaid principal amount of such Interim Note (after deducting the principal installment, if any, due on such Redemption Date).

"Treasury Rate", as used above, means a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Average Life Date of such Interim Note, as determined by interpolation between the most recent weekly average yields to maturity for two series of United States Treasury securities, one maturing as close as possible to, but earlier than, the Average Life Date of such Interim Note and the other maturing as close as possible to, but later than, the Average Life Date of such Interim Note, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity for United States Treasury securities maturing on the Average Life Date of such Interim Note is reported in the most recent H.15(519), as so reported). H.15(519) means "Statistical Release H.15(519), Selected Interest Rates", or any successor publication, published by the Board of Governors of the Federal Reserve System. The most recent H.15(519) means the latest H.15(519) which is published prior to the close of business on the third Business Day preceding the scheduled Redemption Date.

"Prime Rate" means the interest rate publicly announced in New York, New York, by Citibank, N.A., from time to time as its base rate of interest per annum.

"Redelivery Locations" is defined in Section 4(b) of the Lease.

"Redemption Date" when used with respect to any Note to be redeemed means the date fixed for such redemption pursuant to the Indenture.

"Refinanced Notes" is defined in Article III(a) of the Participation Agreement.

"Rehabilitation" means the rehabilitation and modification work performed and to be performed by an Affiliate of Lessee more particularly described in Section 7.01.B(d) of the Participation Agreement.

"Reimbursement Amount" is defined in Section 2.02(b) of the Participation Agreement.

"Renewal Term" means the period of any extension of the Basic Term (or a prior Renewal Term) as provided in Section 4(a) of the Lease.

"Renewal Term Commencement Date" is defined in Section 4(a) of the Lease.

"Rent" means Interim Rent, Basic Rent and Supplemental Rent.

"Replacement Locomotive" means a locomotive which is replacing a Locomotive with respect to which an Event of Loss has occurred pursuant to Section 12(c) of the Lease.

"Responsible Officer" means, with respect to the subject matter of any covenant, agreement or obligation of any party contained in any Operative Document, the President, any Vice President, Assistant Vice President, Treasurer, Assistant Treasurer or other officer who in the normal performance of his or her operational responsibility would have knowledge of such matter and the requirements with respect thereto.

"Securities Act" means the Securities Act of 1933.

"Seller" means Union Pacific Holdings, Inc.

"Severable Improvement" means any Improvement other than a Nonseverable Improvement.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon means the date specified in such Note as the fixed date on which the

principal of such Note or such installment of interest is due and payable.

"Stipulated Loss Value" with respect to any Locomotive as of any Payment Date means an amount determined by multiplying Lessor's Cost for such Locomotive by the percentage specified in Schedule 1 to the Lease or the appropriate supplement opposite such Payment Date.

"Supplemental Rent" means any and all amounts (other than Interim Rent and Basic Rent) that Lessee assumes the obligation to pay or agrees to pay under the Lease, the Indenture, the Tax Indemnification Agreement, the Participation Agreement or any other Operative Document to Owner Trustee, Indenture Trustee, a Participant or others, including payments of indemnities, Stipulated Loss Value, Termination Value, Premium and all amounts payable by Lessee pursuant to Section 3(c) of the Lease.

"Taxes" is defined in Section 14.02(a) of the Participation Agreement.

"Tax Indemnification Agreement" means the Tax Indemnification Agreement dated as of March 31, 1994, between Lessee and Owner Participant.

"Termination Date", "Termination Notice" and "Termination Right" are defined in Section 13(a) of the Lease.

"Termination Value" with respect to any Locomotive as of any Payment Date means an amount determined by multiplying Lessor's Cost for such Locomotive by the percentage specified in Schedule 2 to the Lease or the appropriate supplement opposite such Payment Date.

"TIA" means the Trust Indenture Act of 1939.

"Transaction Costs" is defined in Section 11.01 of the Participation Agreement.

"Trust Agreement" means the Trust Agreement dated as of March 31, 1994, between NationsBank and Owner Participant.

"Trust Estate" means all estate, right, title and interest of Owner Trustee in and to the Locomotives and the Operative Documents to which it is a party (other than the

Trust Agreement) or in which it otherwise has an interest, including (i) all amounts payable to Owner Trustee under such Operative Documents and (ii) any and all payments or proceeds received by Owner Trustee after the termination of the Lease with respect to all or any part of the Locomotives as the result of the sale, lease or other disposition thereof.

"Trustor" is defined in the introductory paragraph of the Trust Agreement.

"Type" means MP15s, GP15-1s or GP38-2s.

"Unit Selection Process" means the following procedure for selecting Locomotives in connection with a renewal of the Lease or a purchase of Locomotives by Lessee: Lessee shall designate, and Lessee and Lessor shall attempt to agree on, such Locomotives. If Lessee and Lessor are unable to agree within 15 days after Lessee's designation, the Locomotives actually chosen shall be randomly selected on a blind basis by an Independent third party chosen by Lessee and Lessor (and if Lessee and Lessor are unable to select such Independent third party within 30 days after Lessee's designation, by an Independent third party chosen by the American Arbitration Association), without regard to the condition of any such Locomotive.

"Verifying Accountant" means (i) a nationally recognized, "Big Six" accounting firm selected by Lessee and reasonably acceptable to Owner Participant (it being understood that the fact that an accounting firm provides or has provided accounting services to Lessee, Owner Participant or any of their Affiliates does not, by itself, disqualify such accounting firm) or (ii) a Person mutually agreeable to Lessee and Owner Participant.

RULES OF INTERPRETATION

1. A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time.

2. The singular includes the plural and the plural includes the singular.

3. A reference to any law or regulation includes any amendment or modification to such law or regulation made before the relevant date or any successor law or regulation.

4. A reference to any Person includes its permitted successors and permitted assigns.

5. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for any purpose under an Operative Document, such determination or computation shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of any Operative Document.

6. The words "include", "includes" and "including" are not limiting.

7. Unless otherwise stated, all references to Sections and Articles shall mean and refer to the respective Sections and Articles in the agreement or document in which such reference appears.

8. The words "hereunder" and "hereby" refer to the agreement or document in which such words appear.